

CITY OF McMINNVILLE, TENNESSEE

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2015

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CITY OF McMINNVILLE, TENNESSEE

LIST OF OFFICIALS

June 30, 2015

Jimmy Haley	Mayor
Ben Newman	Vice-mayor
Rick Barnes (7/1/14 to 11/24/14)	Alderman
Jimmy Bonner	Alderman
Mike Neal	Alderman
Billy Wood (7/1/14 to 11/24/14)	Alderman
Ken Smith (7/1/14 to 11/24/14)	Alderman
Steve Harvey (11/25/14 to 6/30/15)	Alderman
Everett Brock (11/25/14 to 6/30/15)	Alderman
Ryle Chastain (11/25/14 to 6/30/15)	Alderman
Bill Brock	City Administrator
Shirley Durham	City Recorder and CMFO
Tim Pirtle	City Attorney
Tim Reed	City Judge

Denning & Cantrell

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INDEPENDENT AUDITORS' REPORT

Mayor and Board of Aldermen
City of McMinnville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the statements of budgetary comparison of the General Fund, the State Street Aid Fund, the Solid Waste Collection and Disposal Fund, and the Drug Fund of the City of McMinnville, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of McMinnville, Tennessee, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principals generally accepted in the United States of America and the statements of budgetary comparison of the General Fund, the State Street Aid Fund, the Solid Waste Collection and Disposal Fund, and the Drug Fund.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages v-xiv and 45-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of McMinnville, Tennessee's financial statements. The other supplementary information on pages 51-73 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information on pages 51-73 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary information on pages 51-73 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The list of officials and the schedule of unaccounted for water have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also issued our report dated February 24, 2016, on our consideration of the City of McMinnville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of McMinnville, Tennessee's internal control over financial reporting and compliance.

Benning & Centrell

Certified Public Accountants

McMinnville, Tennessee
March 19, 2016

Management's Discussion and Analysis

This section of the City of McMinnville's financial report presents an analysis of the City's general financial condition for the year ended June 30, 2015 and should be read in conjunction with the accompanying Financial Statements and Notes to the Financial Statements.

FINANCIAL HIGHLIGHTS

To better analyze the financial position and activity for the year ended June 30, 2015 for the City of McMinnville, the following financial highlights are separated into Governmental Activities and Business Type-Activities (Water and Sewer and Electric).

Governmental Activities

At fiscal year-end in regards to the City of McMinnville's governmental activities, total assets and total net position were \$28,574,070 and \$14,544,415, respectively. Deferred outflow of resources was \$758,148 at fiscal year end. A total of \$380,902 of the net assets is restricted for the following purposes: highways and streets \$249,390, and \$131,512 for drug enforcement. \$5,057,216 remains unrestricted to support operations. Investments in capital assets, net of related debt, is \$9,106,297 at June 30, 2015.

Of the total governmental activity liabilities of \$7,863,675, \$2,785,002 is current while \$5,078,673 is non-current at June 30, 2015. Deferred inflow of resources was \$6,924,128 at fiscal year end.

CITY OF MCMINNVILLE'S NET POSITION

Current assets	\$13,789,808
Capital assets (net)	<u>14,784,262</u>
TOTAL ASSETS	<u>28,574,070</u>
Deferred Outflow of Resources	<u>758,148</u>
Current liabilities	2,785,002
Noncurrent liabilities	<u>5,078,673</u>
TOTAL LIABILITIES	<u>7,863,675</u>
Deferred Inflow of Resources	<u>6,924,128</u>
Net position:	
Invested in capital assets,	
Net of related debt	9,106,297
Restricted	380,902
Unrestricted	<u>5,057,216</u>
TOTAL NET POSITION	<u>\$ 14,544,415</u>

FINANCIAL HIGHLIGHTS (cont.)

Governmental Activities (cont.)

Total governmental net position decreased from \$16,115,350 to \$14,544,415, which represents a net decrease of \$1,570,935 while total assets increased by \$2,405,393.

At June 30, 2015, McMinnville's total governmental fund balances were \$7,669,258, which represents an increase of \$363,103, in comparison with the prior fiscal year's fund balances of \$7,306,155.

Total governmental funds of \$7,669,258 at fiscal year end were comprised of \$6,919,922 in the General Fund and \$749,336 in the Special Revenue Funds.

McMinnville had governmental program revenues of \$2,884,631. The greater part of program revenues totaling \$2,330,290 was the City's charge for services, such as the police department, parks and recreation, solid waste, etc. Comprising the remainder of program revenues were operating grants and contributions of \$554,341. Reference the City's Statement of Activities on page 4 in the Annual Financial Report for more detail.

The City had \$10,027,852 in governmental general revenues; the primary components being \$4,961,202 in property taxes, \$3,156,498 in sales taxes, \$577,351 in beer tax, and \$240,427 in business taxes.

McMinnville had the following governmental functional program expenses for the fiscal year end June 30, 2015:

<u>Government Activities</u>	
General government	\$1,670,149
Police department	2,827,311
Fire department	1,929,075
Planning and zoning	229,809
Public works	896,260
Vehicle maintenance	261,140
Animal control	72,099
Parks and recreation	1,373,951
Park theatre	223,565
Urban forestry	198,809
Street department	675,932
Solid waste	1,237,376
Unallocated interest expense	<u>93,936</u>
TOTAL	<u>\$11,689,414</u>

FINANCIAL HIGHLIGHTS (cont.)

Business-Type Activities

At fiscal year-end, McMinnville had business-type total assets and total net position of \$46,059,770 and \$34,379,825, respectively. \$2,150,091 of net assets is unrestricted to support operations. Investments in capital assets, net of related debt, are \$32,229,734 at June 30, 2015.

Business-type total assets decreased from 2014 to 2015 by \$160,309 while its net position decreased by \$795,812. At fiscal year end, business-type activities had \$447,471 in deferred outflow of resources.

Business-type total liabilities at June 30, 2015 were \$11,371,045. Of this total, \$4,132,964 is current, while \$7,238,091 remains non-current at fiscal year end. Deferred inflow of resources was \$756,371 at June 30, 2015.

CITY OF MCMINNVILLE'S NET POSITION

Business-type Activities

Current assets	\$ 7,450,302
Noncurrent assets	<u>38,609,468</u>
TOTAL ASSETS	<u>46,059,770</u>
Deferred Outflow of Resources	<u>447,471</u>
Current liabilities	4,777,367
Noncurrent liabilities	<u>6,593,678</u>
TOTAL LIABILITIES	11,371,045
Deferred Inflow of Resources	<u>756,371</u>
Net position:	
Invested in capital assets,	
Net of related debt	32,229,734
Unrestricted	<u>2,150,091</u>
TOTAL NET POSITION	\$ 34,379,825
	=====

Revenues and Expenditures

Reference the Condensed Comparative Statement of Activities on page ix of this report.

Total combined revenue for the City of McMinnville increased \$1,381,300 or 3.60% from the prior fiscal year. An increase of \$1,089,148 in total program revenues contributed to the majority of the increase in combined revenue.

FINANCIAL ANALYSIS

The following condensed comparative financial statements and other selected information provides key financial data and indicators for management, monitoring, and planning.

CITY OF MCMINNVILLE, TENNESSEE

CONDENSED COMPARATIVE STATEMENTS OF NET ASSETS

June 30, 2015 and June 30, 2014

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current assets	\$ 13,789,808	\$ 12,884,939	\$ 7,450,302	\$ 8,319,193	\$ 21,240,110	\$ 21,204,132
Noncurrent assets	14,784,262	13,283,738	38,609,468	37,900,886	53,393,730	51,184,624
Total assets	\$ 28,574,070	\$ 26,168,677	\$ 46,059,770	\$ 46,220,079	\$ 74,633,840	\$ 72,388,756
Deferred Outflow of Resources	\$ 758,148	\$ -	\$ 447,471	\$ -	\$ 1,205,619	\$ -
	<u>\$ 29,332,218</u>	<u>26,168,677</u>	<u>46,507,241</u>	<u>46,220,079</u>	<u>75,839,459</u>	<u>72,388,756</u>
LIABILITIES						
Current liabilities	\$ 2,785,002	\$ 1,720,820	\$ 4,777,367	\$ 3,892,867	\$ 7,562,369	\$ 5,613,687
Noncurrent liabilities	5,078,673	3,772,507	6,593,678	7,151,575	11,672,351	10,924,082
Total liabilities	\$ 7,863,675	\$ 5,493,327	\$ 11,371,045	\$ 11,044,442	\$ 19,234,720	\$ 16,537,769
Deferred Inflow of Resources	\$ 6,924,128	\$ 4,560,000	\$ 756,371	\$ -	\$ 7,680,499	\$ 4,560,000
<u>Net position:</u>						
Invested in capital assets, net of related debt	\$ 9,106,297	\$ 8,799,653	\$ 32,229,734	\$ 30,970,511	\$ 41,336,031	\$ 39,770,164
Restricted for:						
Highways & streets	249,390	263,169	-	-	249,390	263,169
Drug enforcement	131,512	115,588	-	-	131,512	115,588
Unrestricted	5,057,216	6,936,940	2,150,091	4,205,126	7,207,307	11,142,066
Total net position	\$ 14,544,415	\$ 16,115,350	\$ 34,379,825	\$ 35,175,637	\$ 48,924,240	\$ 51,290,987
	<u>\$ 29,332,218</u>	<u>26,168,677</u>	<u>46,507,241</u>	<u>46,220,079</u>	<u>75,839,459</u>	<u>72,388,756</u>

CITY OF McMINNVILLE, TENNESSEE

CONDENSED COMPARATIVE STATEMENTS OF ACTIVITIES

	June 30, 2015 and June 30, 2014		Variance	
	2015	2014	Amount	%
Revenues:				
Taxes	\$ 9,313,644	\$ 8,995,331	\$ 318,313	
Program revenues	* 30,348,922	29,259,774	1,089,148	
Payments in lieu of taxes	198,089	198,497	(408)	
Interest and investment earnings	62,473	107,033	(44,560)	
Miscellaneous	26,859	16,502	10,357	
Transfers	(185,000)	(193,450)	8,450	
Total revenues	39,764,987	38,383,687	1,381,300	3.60%
Expenditures:				
General government	1,670,149	2,006,161	(336,012)	
Police department	2,827,311	2,971,533	(144,222)	
Fire department	1,929,075	2,043,792	(114,717)	
Planning and zoning	229,809	231,641	(1,832)	
Public works	896,260	932,183	(35,923)	
Vehicle maintenance	261,140	266,426	(5,286)	
Animal control	72,099	70,693	1,406	
Parks and recreation	1,373,951	1,380,636	(6,685)	
Urban forestry	198,809	199,580	(771)	
Street department	675,932	626,363	49,569	
Solid Waste	1,237,378	1,194,648	42,730	
Park Theatre	223,565	-	223,565	
Unallocated Interest Expense	93,936	132,048	(38,112)	
Water and Sewer	4,030,261	4,391,837	(361,576)	
Electric	* 21,532,243	20,780,626	751,617	
Total expenditures	37,251,918	37,228,167	23,751	0.06%
Increase (Decrease) in Net Position	2,513,069	1,155,520		
Net position at beginning of year**	46,411,171	50,135,467		
Net position at end of year	\$ <u>48,924,240</u>	\$ <u>51,290,987</u>		

* Revenue and expenditures associated with McMinnville Electric System are reported with the City of McMinnville, since McMinnville Electric System is a department of the City of McMinnville.

** Beginning net position was restated

BUSINESS TYPE ACTIVITIES (continued)

Total combined expenditures for the City increased \$23,751 or 0.06% from the prior fiscal year. The majority areas of expenditures saw decreases as related to the general government, police, fire, and water and sewer departments, with decreases of \$336,012, \$144,222, 114,717, and \$361,576, respectively. These decreases in expenditures was offset by an increase in the electric department of \$751,617 at fiscal year end.

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

In fiscal year 2013, the City of McMinnville implemented Governmental Accounting Standards Board (GASB) Statement Number 63, which establishes new requirements for the annual financial reports of state and local governments. The Statement was developed to include new and more useful information for those individuals who use the financial reports in their decision-making. The basic financial statements consist of the following 1) government-wide financial statements 2) fund-based financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains other supplementary information.

The **Government-Wide Financial Statements** consist of a statement of net position and a statement of activities and are presented using the accrual basis of accounting. These statements are designed to provide readers with a broad overview of the City of McMinnville's finances, in a manner similar to a private-sector business. The *statement of net position* presents the financial position of the City on a full accrual basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of McMinnville is improving or deteriorating. The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned but unused vacation leave).

The **Fund Financial Statements** consist of a series of statements that provide information about City's governmental funds and are prepared using the modified accrual basis of accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of McMinnville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two categories of funds, governmental and proprietary.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike The government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating a government's near-term financing requirements.

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS (cont.)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of McMinnville maintains four individual governmental funds. Information is presented in separate format in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State Street Aid Fund, Solid Waste Collection Fund, and Drug Fund. A *proprietary fund* or McMinnville's enterprise fund is used to account for business-like activities provided to the general public. McMinnville's Water and Sewer's activities and McMinnville's Electric activities are financed primarily by user charges and its net income is measured in manner similar to the private sector. While governmental funds' financial statements are prepared on the modified accrual basis of accounting, McMinnville's proprietary fund uses the accrual basis of accounting.

The **Notes to the Financial Statements** provide required disclosures and other information that is important to any user's understanding of the basic financial statements.

The **Required Supplementary Information** contains the City of McMinnville's progress in funding its obligation to provide pension benefits to its employees.

CAPITAL ASSETS

Capital assets relating to McMinnville's governmental activities include land, buildings, machinery and equipment, vehicles, and infrastructure. At June 30, 2015, buildings (net of accumulated depreciation) accounts for the majority of governmental capital assets at approximately 44%. Infrastructure accounts for 42% of the capital assets while McMinnville's vehicles, land, and machinery and equipment comprise the remainder at 7%, 3%, and 4%, respectively.

Capital assets relating to the City's business-type activities include land, construction in progress, water and sewer's utility lines, plant, and equipment, electric's three plants; production, distribution, and general, and acquisition adjustments (net). At fiscal year end, water and sewer's utility lines and plant (net of accumulated depreciation) accounted for a large portion of business-type capital assets at 57% while electric's three plants (net) accounted for 41% of capital assets. Land, construction in progress, acquisition adjustments (net of accumulated amortization), and water and sewer equipment comprised the remainder of the business-type capital assets.

CAPITAL ASSETS (cont.)

At fiscal year-end, McMinnville had \$14,784,262 (net of accumulated depreciation) invested in governmental activity capital assets, representing a net increase of \$1,500,524 from last year. Construction in progress accounted for the majority of this increase.

Business-type activity capital assets (net of depreciation) were \$38,609,468 at fiscal year end, which experienced a \$708,582 net increase over the previous fiscal year. The largest addition in fiscal year 2015 was to the distribution plant for the electric system.

McMinnville's governmental capital assets include \$6,187,055 (net) in infrastructure assets at June 30, 2015. There have been no significant changes in the assessed condition of these assets.

Reference Note I in the Notes to the Financial Statements for more detail regarding capital assets.

LIABILITIES AND LONG-TERM DEBT ADMINISTRATION

Total liabilities relating to McMinnville's governmental activities were \$7,863,675 at June 30, 2015. The current portion, \$2,785,002 consists of \$599,292 for the current portion of notes payable, \$355,120 in accounts payable, \$1,830,590 in accrued payables and other current liabilities. The remainder of total liabilities relates to the long-term portion of bonds and notes payable and accrued compensated absences.

The City's long-term debt relating to governmental activities experienced an increase from \$4,940,984 in 2014 to \$6,124,499, which reflects principal payments made during fiscal year 2014 as well as an addition to bonds payable of \$1,193,880. There was a decrease in accrued compensated absences during the fiscal year of \$10,365.

Total liabilities relating to McMinnville's business-type activities were \$11,371,045 at fiscal year end. The current portion, \$4,777,367, consists of \$644,413 for the current portion of bonds and notes payable, \$467,002 in accounts payable, \$4,967 in accrued payables, \$1,225,112 in customer deposits, and \$759,829 in other current liabilities. The remainder of Water and Sewer total liabilities pertains to the long-term portions of bonds and notes payables, accrued compensated absences and benefits other than pension.

McMinnville's long-term debt, relating to business-type activities, experienced a net decrease from \$8,686,422 in 2014 to \$8,129,915 in 2015. Deductions to long-term debt of \$592,755, comprised of regular payments, offset the increase in post employment benefits and accrued compensated absences (unused vacation) of \$13,385 and \$22,863, respectively, in fiscal year 2015.

LIABILITIES AND LONG-TERM DEBT ADMINISTRATION (cont.)

For more detail regarding the City of McMinnville's long-term debt, reference Note J in the Notes to the Financial Statements.

BUDGETARY ANALYSIS

The City of McMinnville adopts a budget each year, in accordance with the laws of the State of Tennessee. Before fiscal year end, each department head submits a proposed budget to the City Administrator, who in turn consolidates and submits the budgets to the Finance Committee, which is composed of three aldermen. After the Finance Committee reviews and makes any necessary adjustments, the budget is enacted through the passage of an ordinance. Any revisions to the budget throughout the year must be made by amending the original budget ordinance.

For more detail regarding the following budgetary analysis, reference the budgetary comparison schedules for each fund on pages 13 –19 of the City's Audited Financial Report for the year ended June 30, 2015.

General Fund

For the fiscal year-end 2015, the actual ending General Fund cash balance of \$6,490,509 exceeded the final budgeted General Fund cash balance of \$3,108,855.

State Street Aid Fund

At June 30, 2015, the actual ending State Street Aid Fund cash balance of \$209,190 exceeded the budgeted State Street Aid Fund cash balance of \$46,625.

Solid Waste Collection & Disposal

The Solid Waste actual ending cash balance of \$335,515 exceeded the budgeted cash balance of \$128,994 at June 30, 2015.

Drug Fund

The City's actual ending Drug Fund cash balance of \$131,512 exceeded the budgeted Drug Fund balance of \$100,083 at fiscal year end.

No revisions were made to the original budgets for any fund for the City of McMinnville, Tennessee's original budgets for fiscal 2015.

FUTURE FINANCIAL POSITION AND OPERATIONS

The City of McMinnville's financial position continued to improve in fiscal year 2015 as evidenced by an increase in combined total assets of \$2,245,084, as well as a decrease in combined total liabilities of \$1,863,049 over fiscal year 2014.

McMinnville Electric expects its revenue and purchased power cost to remain stable in fiscal year 2016. Seasonal Pricing structure, which was effective April 2011, will continue to affect retail energy to cost more in high use times, such as in the summer and winter months. During fiscal 2015, power costs were reflective of the temperature changes that occurred outside the normal for certain months.

At this time, management is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the City of McMinnville's financial position in the upcoming fiscal year.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City of McMinnville's finances for all those with an interest in such matters. Questions arising from any of the information provided or additional requests for information should be directed to:

Shirley Durham
City Recorder
101 East Main Street
McMinnville, TN 37110
Phone: (931) 473-1200

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Unrestricted cash	\$ 6,338,636	\$ 2,655,981	\$ 8,994,617
Certificates of deposit		206,858	206,858
Restricted cash	828,090		828,090
Accounts receivable		2,973,005	2,973,005
Property taxes receivable (net)	5,553,453		5,553,453
Receivable from other governments	822,995		822,995
Prepaid expenses		13,139	13,139
Other current assets	142,732	291,991	434,723
Inventory		565,793	565,793
Internal balances	103,902	(103,902)	-
Other receivables		847,437	847,437
Capital assets not being depreciated			
Land and construction in progress	680,989	409,812	1,090,801
Capital assets net of depreciation	14,103,273	38,199,656	52,302,929
Total assets	28,574,070	46,059,770	74,633,840
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Pension contribution after measurement date	758,148	447,471	1,205,619
	\$ 29,332,218	\$ 46,507,241	\$ 75,839,459
<u>LIABILITIES</u>			
Accounts payable	\$ 355,120	\$ 467,002	\$ 822,122
Accrued payroll	260,415		260,415
Accrued interest payable	21,553	4,967	26,520
Customer deposits		1,225,112	1,225,112
Other current liabilities	3,037	759,829	762,866
Accrued compensated absences	446,534	747,899	1,194,433
Accrued benefits other than pension		143,925	143,925
Net pension liability	1,099,051	784,220	1,883,271
Notes and bonds payable			
Due within one year	599,292	644,413	1,243,705
Due in more than one year	5,078,673	6,593,678	11,672,351
Total liabilities	7,863,675	11,371,045	19,234,720
<u>DEFERRED INFLOW OF RESOURCES</u>			
Property taxes	5,553,453		5,553,453
Pension changes in experience	100,431	28,314	128,745
Pension changes in resources	1,270,244	728,057	1,998,301
Total deferred inflows of resources	6,924,128	756,371	7,680,499
<u>NET POSITION</u>			
Net investment in capital assets	9,106,297	32,229,734	41,336,031
Restricted for:			
Highways and streets	249,390		249,390
Drug enforcement	131,512		131,512
Unrestricted	5,057,216	2,150,091	7,207,307
Total net position	14,544,415	34,379,825	48,924,240
	\$ 29,332,218	\$ 46,507,241	\$ 75,839,459

See Independent Auditors' Report and Note to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

Year ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities:							
General government	\$ 1,670,149	\$ 242,203	\$ 90,988		\$ (1,336,958)		\$ (1,336,958)
Police department	2,827,311	393,549	60,260		(2,373,502)		(2,373,502)
Fire department	1,929,075	48	131		(1,928,896)		(1,928,896)
Planning and zoning	229,809				(229,809)		(229,809)
Public works	896,260				(896,260)		(896,260)
Vehicle maintenance	261,140				(261,140)		(261,140)
Animal control	72,099	850			(71,249)		(71,249)
Parks and recreation	1,373,951	448,631			(925,320)		(925,320)
Park theatre	223,565	11,303			(212,262)		(212,262)
Urban forestry	198,809				(198,809)		(198,809)
Street department	675,932		402,962		(272,970)		(272,970)
Solid waste	1,237,378	1,233,706			(3,672)		(3,672)
Unallocated interest expense	93,936				(93,936)		(93,936)
Total governmental activities	11,689,414	2,330,290	554,341	-	(8,804,783)		(8,804,783)
Business-type activities:							
Water and sewer	4,030,261	4,958,188		87,750		\$ 1,015,677	1,015,677
Electric	21,532,243	22,058,870		359,483		886,110	886,110
Total business-type activities	25,562,504	27,017,058	-	447,233		1,901,787	1,901,787
Total primary government	\$ 37,251,918	\$ 29,347,348	\$ 554,341	\$ 447,233	(8,804,783)	1,901,787	\$ (6,902,996)
General revenues:							
Taxes:							
Alcoholic beverage taxes					12,175		
State income tax					158,569		
Property tax					4,961,202		
Sales tax					3,156,498		
Beer tax					577,351		
Minimum business tax					240,427		
Franchise fees					137,111		
Excise tax					68,979		
Telecommunications tax					1,332		
Payments in lieu of tax from outside entities					198,089		
Interest and investment earnings					19,192	43,281	
Miscellaneous					26,859		
Transfers					470,068	(655,068)	
Total general revenues					10,027,852	(611,787)	
Change in net position					1,223,069	1,290,000	
Beginning net position - restated					13,321,346	33,089,825	
Ending net position					\$ 14,544,415	\$ 34,379,825	

Note - Beginning net position was restated due to the implementation of GASB 68.

CITY OF McMINNVILLE, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	State Street Aid Fund	Solid Waste Collection Fund	Drug Fund	Total Governmental Funds
Assets:					
Unrestricted cash	\$ 6,003,121		\$ 335,515		\$ 6,338,636
Restricted cash	487,388	\$ 209,190		\$ 131,512	828,090
Property taxes receivable (net)	5,553,453				5,553,453
Other receivables	142,732				142,732
Due from other governments	757,173	65,822	103,902		926,897
Total assets	<u>12,943,867</u>	<u>275,012</u>	<u>439,417</u>	<u>131,512</u>	<u>13,789,808</u>
Liabilities:					
Accounts payable	275,897	23,837	55,386		355,120
Accrued wages	243,033	1,785	15,597		260,415
Other current liabilities	3,037				3,037
Total liabilities	<u>521,967</u>	<u>25,622</u>	<u>70,983</u>		<u>618,572</u>
Deferred Inflows of Resources					
Unbilled revenue - taxes	<u>5,501,978</u>				<u>5,501,978</u>
Fund balances:					
Restricted					
Debt service	99				99
Highways and streets		249,390			249,390
Police	7,720			131,512	139,232
Committed					
Solid waste collection			368,434		368,434
Capital projects	476,531				476,531
Unassigned	6,435,572				6,435,572
Total fund balances	<u>6,919,922</u>	<u>249,390</u>	<u>368,434</u>	<u>131,512</u>	<u>7,669,258</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 12,943,867</u>	<u>\$ 275,012</u>	<u>\$ 439,417</u>	<u>\$ 131,512</u>	<u>\$ 13,789,808</u>

See Independent Auditors' Report and Note to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2015

Total Governmental Fund Balances	\$ 7,669,258
Amounts reported for governmental activities in the statement of net position are different due to:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	14,784,262
Net pension liability not reported in the funds	(1,099,051)
Differences in deferred outflows and inflows related to pensions	(612,527)
Bonds and notes payable, not reported in the funds	(5,677,965)
Accrued compensated absences, long-term, which are not reported in the funds	(446,534)
Unearned property tax revenue reported in governmental funds	(51,475)
Interest payable, not accrued in the funds	<u>(21,553)</u>
Net Position of Governmental Activities	<u>\$ 14,544,415</u>

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	State Street Aid Fund	Solid Waste Collection Fund	Drug Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 8,064,771				\$ 8,064,771
Intergovernmental	1,653,722	\$ 359,209			2,012,931
Charges for services	462,052		\$ 1,224,353		1,686,405
Fines, forfeitures, and penalties	338,037			\$ 54,597	392,634
Licenses and permits	59,227				59,227
Interest income	17,485	656	649	401	19,191
Rent income	72,399				72,399
Other revenues	122,986	2,520	9,353		134,859
Total revenues	10,790,679	362,385	1,234,355	54,998	12,442,417
Expenditures:					
Current operations:					
General government	1,704,269				1,704,269
Police department	2,969,606			39,074	3,008,680
Fire department	2,053,315				2,053,315
Planning and zoning	242,523				242,523
Public works	1,445,428				1,445,428
Vehicle maintenance	303,991				303,991
Animal control	75,335				75,335
Parks and recreation	2,016,058				2,016,058
Park theatre	1,967,612				1,967,612
Urban forestry	209,632				209,632
Street department		376,164			376,164
Sanitation			1,176,832		1,176,832
Total expenditures	12,987,769	376,164	1,176,832	39,074	14,579,839
Excess of revenues over(under) expenditures	(2,197,090)	(13,779)	57,523	15,924	(2,137,422)
Other financing sources (uses):					
Payments in lieu of taxes	655,067				655,067
Proceeds from loan	2,030,458				2,030,458
Transfer from General Fund to Warren County E-911	(145,000)				(145,000)
Transfer from General Fund to Industrial Development Board	(40,000)				(40,000)
Net change in fund balances	303,435	(13,779)	57,523	15,924	363,103
Fund balances at beginning of year	6,616,487	263,169	310,911	115,588	7,306,155
Fund balances at end of year	\$ 6,919,922	\$ 249,390	\$ 368,434	\$ 131,512	\$ 7,669,258

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 363,103
Capital outlays reported as expenses in the funds	2,351,971
Depreciation expense not reported in the funds	(851,447)
Changes in accrued interest payable are not reflected in the funds, but are reflected in the Statement of Net Position	10,892
Changes in compensated absences are not reflected in the funds, but are reflected in the Statement of Net Position	10,365
Revenues in the Statement of activities that do not provide current financial resources are not reported as revenues in the funds - unearned property taxes	(51,475)
Change in deferred inflows and outflows related to pensions and net pension liability	583,540
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	(1,193,880)
Change in Net Position of Governmental Activities	<u>\$ 1,223,069</u>

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2015

	Water & Sewer	Electric	Total
	<u>ASSETS</u>		
Current assets:			
Unrestricted cash	\$ 1,522,709	\$ 1,133,272	\$ 2,655,981
Certificates of deposit		206,858	206,858
Accounts receivable	708,937	2,264,068	2,973,005
Inventories	233,441	332,352	565,793
Prepaid expenses		13,139	13,139
Other current assets		291,991	291,991
Current portion of noncurrent receivables		120,678	120,678
Total current assets	<u>2,465,087</u>	<u>4,362,358</u>	<u>6,827,445</u>
Noncurrent assets:			
Noncurrent receivables		726,759	726,759
Land and construction in progress	190,370	219,442	409,812
Equipment and utility lines - net	<u>22,211,971</u>	<u>15,987,685</u>	<u>38,199,656</u>
Total noncurrent assets	<u>22,402,341</u>	<u>16,933,886</u>	<u>39,336,227</u>
	<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension contribution after measurement date	<u>202,514</u>	<u>244,957</u>	<u>447,471</u>
Total assets and deferred outflows of resources	<u>\$ 25,069,942</u>	<u>\$ 21,541,201</u>	<u>\$ 46,611,143</u>
	<u>LIABILITIES</u>		
Current liabilities:			
Due to Sanitation Fund	\$ 103,902		\$ 103,902
Accounts payable	76,069	\$ 390,933	467,002
Customer deposits	517,544	707,568	1,225,112
Accrued interest	4,143	824	4,967
Accrued vacation payable	138,173	609,726	747,899
Other current liabilities	74,928	684,901	759,829
Current portion of long term debt	<u>478,979</u>	<u>165,434</u>	<u>644,413</u>
Total current liabilities	1,393,738	2,559,386	3,953,124
Net pension liability	309,850	474,370	784,220
Long term debt	<u>5,756,531</u>	<u>981,072</u>	<u>6,737,603</u>
Total liabilities	<u>7,460,119</u>	<u>4,014,828</u>	<u>11,474,947</u>
	<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension changes in experience	28,314		28,314
Pension changes in resources	<u>358,113</u>	<u>369,944</u>	<u>728,057</u>
Total deferred inflows of resources	<u>386,427</u>	<u>369,944</u>	<u>756,371</u>
	<u>NET POSITION</u>		
Net Investment in capital assets	16,166,831	16,062,903	32,229,734
Unrestricted	<u>1,056,565</u>	<u>1,093,526</u>	<u>2,150,091</u>
Total net position	<u>17,223,396</u>	<u>17,156,429</u>	<u>34,379,825</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 25,069,942</u>	<u>\$ 21,541,201</u>	<u>\$ 46,611,143</u>

See Independent Auditors' Report and Note to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Water & Sewer</u>	<u>Electric</u>	<u>Total</u>
Operating Revenues:			
Charge for services	\$ 4,730,845	\$ 20,519,670	\$ 25,250,515
Generation revenue		969,896	969,896
Rental income		278,282	278,282
Forfeited discounts	101,480	94,158	195,638
Company use of electricity		65,701	65,701
Miscellaneous	125,863	131,163	257,026
Total operating revenues	<u>4,958,188</u>	<u>22,058,870</u>	<u>27,017,058</u>
Operating expenses:			
Water purification and distribution	1,410,869		1,410,869
Wastewater collection and treatment	1,642,355		1,642,355
Purchased power		16,575,574	16,575,574
Distribution expense		1,178,064	1,178,064
Customer accounts expense		396,540	396,540
Customer service and information		77,783	77,783
Sales expense		73,923	73,923
Administrative and general expense		1,245,111	1,245,111
Maintenance expense		565,680	565,680
Depreciation	860,835	1,111,905	1,972,740
Amortization		44,756	44,756
Payroll taxes and payments to other governments		254,196	254,196
Interest expense on customer deposits		1,435	1,435
Donations and community welfare		7,276	7,276
Total operating expenses	<u>3,914,059</u>	<u>21,532,243</u>	<u>25,446,302</u>
Operating income (loss)	<u>1,044,129</u>	<u>526,627</u>	<u>1,570,756</u>
Non-operating revenues (expenses):			
Interest income	3,313	39,968	43,281
Interest expense	(116,202)		(116,202)
Net non-operating revenues (expenses)	<u>(112,889)</u>	<u>39,968</u>	<u>(72,921)</u>
Income before contributions and transfers	931,240	566,595	1,497,835
Contributions to construction	87,750	359,483	447,233
Transfers to General Fund	(240,000)	(415,068)	(655,068)
Change in net position	778,990	511,010	1,290,000
Net position at beginning of year - Restated	<u>16,444,406</u>	<u>16,645,419</u>	<u>33,089,825</u>
Net position at end of year	<u>\$ 17,223,396</u>	<u>\$ 17,156,429</u>	<u>\$ 34,379,825</u>

Beginning net position was restated due to the implementation of GASB 68.

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2015

	Enterprise Funds		
	Water & Sewer	Electric	Total
Cash flows from operating activities:			
Receipts from customers	\$ 4,929,343	\$ 21,630,760	\$ 26,560,103
Payments to suppliers	(1,934,972)	(17,982,223)	(19,917,195)
Payments to employees	(1,331,939)	(2,084,474)	(3,416,413)
Interest paid on customer deposits		(38,547)	(38,547)
Net increase in TVA loan funds receivable		39,245	39,245
Net increase in TVA loan funds payable		(42,114)	(42,114)
Payments to other governments		(120,504)	(120,504)
Cash donations and community welfare		(7,276)	(7,276)
Net cash provided by operating activities	<u>1,662,432</u>	<u>1,394,867</u>	<u>3,057,299</u>
Cash flow from noncapital financing activities -			
Transfers (to) from other funds	<u>(240,000)</u>	<u>(415,068)</u>	<u>(655,068)</u>
Cash flows from capital and related financing activities:			
Principal paid on bonds and loans	(505,885)	(44,756)	(550,641)
Capital contributions	87,750	359,483	447,233
Acquisition and construction of fixed assets	(117,277)	(2,663,222)	(2,780,499)
Interest paid on bonds and loans	<u>(118,661)</u>		<u>(118,661)</u>
Net cash used in capital and related financing activities	<u>(654,073)</u>	<u>(2,348,495)</u>	<u>(3,002,568)</u>
Cash flows from investing activities:			
Purchase of certificates of deposit		(3,458)	(3,458)
Interest received on investments	<u>3,313</u>	<u>39,968</u>	<u>43,281</u>
Net cash used in investing activities	<u>3,313</u>	<u>36,510</u>	<u>39,823</u>
Net increase (decrease) in cash and cash equivalents	771,672	(1,332,186)	(560,514)
Cash and cash equivalents at beginning of year	<u>751,037</u>	<u>2,465,458</u>	<u>3,216,495</u>
Cash and cash equivalents at end of year	<u>\$ 1,522,709</u>	<u>\$ 1,133,272</u>	<u>\$ 2,655,981</u>

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2015

	Enterprise Funds		
	Water & Sewer	Electric	Total
Operating income (loss) for the year	\$ 1,044,129	\$ 526,627	\$ 1,570,756
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	860,835	1,166,326	2,027,161
Amortization		44,756	44,756
Change in pension liabilities and deferrals	(138,776)	(14,604)	
Changes in operating assets and liabilities:			
Receivables	(22,469)	(428,110)	(450,579)
Inventory	(3,217)	39,702	36,485
Prepaid expenses		(11,861)	(11,861)
Other current assets	47,751	(188,518)	(140,767)
TVA contracts receivable - weatherization		39,245	39,245
Net pension cost			-
Accounts payable	(92,199)	164,177	71,978
Customer deposits	(21,316)	44,542	23,226
Accrued interest on customer deposits		(37,112)	(37,112)
Accrued vacation payable	(9,606)	32,469	22,863
Other current liabilities	(2,700)	45,957	43,257
Accrued post employment benefits other than pension		13,385	13,385
TVA contracts payable - weatherization		(42,114)	(42,114)
Net cash provided by operating activities	\$ 1,662,432	\$ 1,394,867	\$ 3,210,679

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND (Cash Basis)

FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual
	Original	Final	
Revenues:			
Taxes:			
Property taxes	\$ 4,560,000	\$ 4,560,000	\$ 4,880,956
Interest and penalties on taxes	55,000	55,000	73,153
Local sales tax	1,885,000	1,885,000	2,119,736
Wholesale beer tax	540,000	540,000	571,350
Franchise fees	125,000	125,000	134,248
Beer applications and privilege tax	7,000	7,000	11,523
Minimum business tax	170,000	170,000	217,221
Total taxes	<u>7,342,000</u>	<u>7,342,000</u>	<u>8,008,187</u>
Intergovernmental:			
Housing authority in lieu of taxes	36,200	36,200	40,146
TVA in lieu of taxes	125,000	125,000	157,943
State sales tax	900,000	900,000	1,018,315
State income tax	90,000	90,000	125,409
State excise tax	70,000	70,000	68,979
State beer and alcoholic beverages tax	16,000	16,000	17,274
State salary supplements	23,400	23,400	18,000
State city street and transportation	27,400	27,400	27,768
State telecommunications tax	1,000	1,000	1,302
MHA drug grant reimbursement	60,000	60,000	60,029
GHSO grant			16,994
Safety partners grant	2,000	2,000	2,000
STP paving			16,000
Drivers safety grant			540
TML membership credit			5,000
TDOT contract - mowing & litter pickup	40,000	40,000	50,039
Total intergovernmental	<u>1,391,000</u>	<u>1,391,000</u>	<u>1,625,738</u>
Charges for services:			
Parks and recreation fees	412,200	412,200	448,631
Park theater fees			11,303
Accident report fees	500	500	963
Total charges for services	<u>412,700</u>	<u>412,700</u>	<u>460,897</u>

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND (Cash Basis)

FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual
	Original	Final	
Fines and forfeitures:			
City court fines and costs	250,000	250,000	279,732
Towing and impounding fees	300	300	325
Sex offender fees	1,000	1,000	1,950
Siezed and forfeited property			2,366
Safety school	40,000	40,000	46,189
Parking fines	2,400	2,400	5,440
Total fines and forfeitures	293,700	293,700	336,002
Licenses and permits	34,600	34,600	56,388
Interest income	30,010	30,010	17,486
Miscellaneous:			
Miscellaneous	6,550	6,550	10,818
Rental income	89,900	89,900	72,399
Reimbursement - Blue building			5,156
Reimbursement - liens on property			1,223
Reimbursed expenses - Regions	30,180	30,180	30,111
Donations			1,863
Animal control fees	1,000	1,000	850
Christmas parade entry fee	1,500	1,500	145
Sale of surplus property			35,827
Insurance recovery on property damage			9,479
Clerk fee - business tax	12,000	12,000	25,985
Total miscellaneous	141,130	141,130	193,856
In lieu of tax payments:			
McMinnville Electric System	390,000	390,000	415,068
McMinnville Water Department	240,000	240,000	240,000
Total in lieu of tax payments	630,000	630,000	655,068
Total revenues	10,275,140	10,275,140	11,353,622

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND (Cash Basis)

FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual
	Original	Final	
Charges to appropriations (Outflows):			
General government:			
Personal services	922,745	922,745	723,881
Contractual services	515,900	515,900	412,018
Supplies	27,500	27,500	25,856
Fixed charges	221,080	221,080	208,716
Debt service	288,316	288,316	287,932
Contributions	188,931	188,931	188,931
Capital outlay	8,500	8,500	6,426
Total general government	2,172,972	2,172,972	1,853,760
Police department:			
Personal services	2,722,570	2,722,570	2,418,787
Contractual services	245,780	245,780	153,694
Supplies	253,000	253,000	180,551
Fixed charges	48,000	48,000	45,825
Debt service	2,500	2,500	3,087
Capital outlay	162,050	162,050	148,077
Total police department	3,433,900	3,433,900	2,950,021
Fire department:			
Personal services	2,201,815	2,201,815	1,836,240
Contractual services	144,400	144,400	66,719
Supplies	92,600	92,600	81,732
Fixed charges	4,000	4,000	4,472
Debt service	48,561	48,561	48,562
Capital outlay	31,500	31,500	8,725
Total fire department	2,522,876	2,522,876	2,046,450
Planning and zoning:			
Personal services	218,965	218,965	175,178
Contractual services	64,250	64,250	46,736
Supplies	8,900	8,900	5,919
Fixed charges	13,360	13,360	13,495
Capital outlay	3,000	3,000	1,160
Total codes enforcement	308,475	308,475	242,488
Public works:			
Personal services	687,935	687,935	648,618
Contractual services	70,550	70,550	52,651
Supplies	122,600	122,600	91,444
Building materials	42,200	42,200	20,549
Fixed charges	3,826	3,826	1,964
Debt service	196,949	196,949	173,853
Capital outlay	613,960	613,960	459,912
Total public works	1,738,020	1,738,020	1,448,991

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND (Cash Basis)

FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual
	Original	Final	
Vehicle maintenance:			
Personal services	271,801	271,801	254,585
Contractual services	8,750	8,750	6,826
Supplies	9,500	9,500	9,160
Fixed charges	2,000	2,000	
Capital outlay	33,427	33,427	33,476
Total city garage	<u>325,478</u>	<u>325,478</u>	<u>304,047</u>
Animal control:			
Personal services	70,250	70,250	66,219
Contractual services	3,500	3,500	1,956
Supplies	6,400	6,400	6,651
Fixed charges	2,000	2,000	
Capital outlay			
Total animal control	<u>82,150</u>	<u>82,150</u>	<u>74,826</u>
Parks and recreation:			
Personal services	956,197	956,197	863,767
Contractual services	408,025	408,025	432,926
Supplies	95,200	95,200	98,374
Fixed charges	4,000	4,000	971
Debt service	348,392	348,392	348,379
Capital outlay	441,450	441,450	283,729
Total parks and recreation	<u>2,253,264</u>	<u>2,253,264</u>	<u>2,028,146</u>
Park theatre:			
Personal services	80,780	80,780	18,280
Contractual services	152,125	152,125	75,043
Supplies	7,500	7,500	17,058
Debt service	149,000	149,000	103,118
Capital outlay	1,749,180	1,749,180	1,642,649
Total parks theatre	<u>2,138,585</u>	<u>2,138,585</u>	<u>1,856,148</u>
Urban forestry and land management:			
Personal services	171,700	171,700	161,867
Contractual services	14,350	14,350	16,940
Operating supplies	23,900	23,900	18,535
Fixed charges	2,000	2,000	1,000
Capital outlay	10,000	10,000	8,150
Total urban forestry and land management	<u>221,950</u>	<u>221,950</u>	<u>206,492</u>
Total charges to appropriations	<u>15,197,670</u>	<u>15,197,670</u>	<u>13,011,369</u>
Excess (Deficiency) of revenues over expenditures	<u>(4,922,530)</u>	<u>(4,922,530)</u>	<u>(1,657,747)</u>
Other financing sources (uses):			
Loan proceeds	2,156,940	2,156,940	2,030,458
Transfers to Warren County			
Transfers to(from) Industrial Development Board	(40,000)	(40,000)	(40,000)
Transfers to Drug Fund	<u>(6,000)</u>	<u>(6,000)</u>	
Increase (Decrease) in cash balance	(2,811,590)	(2,811,590)	332,711
Beginning cash balance July 1, 2014	<u>5,920,445</u>	<u>5,920,445</u>	<u>6,157,798</u>
Ending cash balance June 30, 2015	<u>\$ 3,108,855</u>	<u>\$ 3,108,855</u>	<u>\$ 6,490,509</u>

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF BUDGETARY COMPARISON - STATE STREET AID FUND (Cash Basis)

FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual
	Original	Final	
Beginning cash balance July 1, 2014	\$ 227,231	\$ 227,231	\$ 227,231
Resources (inflows):			
Gasoline & motor fuel tax	325,300	325,300	245,011
1989 gas tax			39,271
3 cent gas tax			72,888
Interest	200	200	656
Miscellaneous			2,357
Amounts available for appropriation	<u>552,731</u>	<u>552,731</u>	<u>587,414</u>
Charges to appropriations (outflows):			
Personal services	64,445	64,445	60,214
Contractual services	307,100	307,100	199,005
Supplies	14,325	14,325	5,085
Building materials	7,000	7,000	4,922
Fixed charges	2,236	2,236	236
Capital outlay	111,000	111,000	108,762
Total charges to appropriations	<u>506,106</u>	<u>506,106</u>	<u>378,224</u>
Ending cash balance June 30, 2015	<u>\$ 46,625</u>	<u>\$ 46,625</u>	<u>\$ 209,190</u>

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF BUDGETARY COMPARISON - SOLID WASTE COLLECTION & DISPOSAL
(Cash Basis)

FOR THE YEAR ENDED JUNE 30, 2015

	Budget Original & Final	Actual
Beginning cash balance July 1, 2014	\$ 297,515	\$ 297,515
Resources (inflows):		
Charge for services	1,193,350	1,221,165
Interest income		649
Miscellaneous		9,353
Amounts available for appropriation	<u>1,490,865</u>	<u>1,528,682</u>
Charges to appropriations (outflows):		
Personal services	613,363	532,111
Contractual services	489,360	481,046
Supplies	148,300	162,394
Building materials	2,000	1,457
Fixed charges	21,348	16,159
Capital outlay	87,500	
Total charges to appropriations	<u>1,361,871</u>	<u>1,193,167</u>
Ending cash balance June 30, 2015	\$ <u>128,994</u>	\$ <u>335,515</u>

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF BUDGETARY COMPARISON - DRUG FUND (Cash Basis)

FOR THE YEAR ENDED JUNE 30, 2015

	Budget Original & Final	Actual
Beginning cash balance July 1, 2014	\$ 115,133	\$ 115,588
Resources (inflows):		
Fines and forfeitures	38,250	30,362
Unauthorized substance tax		325
Sale of seized and forfeited items		23,910
Interest income		401
Amounts available for appropriation	<u>153,383</u>	<u>170,586</u>
Charges to appropriations (outflows):		
Contractual services	2,500	125
Supplies	800	
Investigation	15,000	13,029
Capital outlay	35,000	25,920
Total charges to appropriations	<u>53,300</u>	<u>39,074</u>
Ending cash balance June 30, 2015	\$ <u>100,083</u>	\$ <u>131,512</u>

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2015

	City of McMinnville Pension Plan	McMinnville Electric Pension Plan
<u>ASSETS</u>		
Investments, at fair value	\$ 3,106,593	
<u>NET POSITION</u>		
Restricted for pension benefits	\$ 3,106,593	

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2015

	City of McMinnville Pension Plan	McMinnville Electric Pension Plan
ADDITIONS		
Contributions	\$ 245,960	
Net increase in the fair value of investments	<u>170,473</u>	
Total additions	\$ 416,433	
DEDUCTIONS		
Benefits and claims paid	<u>118,430</u>	
Change in net position	\$ 298,003	
Net position - beginning	<u>2,808,590</u>	
Net position - ending	<u><u>\$ 3,106,593</u></u>	

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Financial Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The criteria for including organizations within the reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity" and GASB No. 61 "The Financial Reporting Entity: Omnibus (an amendment of GASB No. 14) is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based upon the application of these criteria, it was determined that the City of McMinnville, Tennessee does not have a component unit.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: government, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.

Major special revenue funds include the State Street Aid Fund, Solid Waste Collection Fund, and Drug Fund. The State Street Aid fund is used to account for funds restricted to street expenditures. The Solid Waste Collection Fund is used to account for solid waste collection and disposal. The Drug Fund is used to account for police activities in drug enforcement.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the McMinnville Water and Sewer Department and the McMinnville Electric System. The Water and Sewer Department operates the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system. McMinnville Electric System oversees the government's electric distribution operations.

Fiduciary Types

Pension Trust Funds

Pension Trust Funds account for the activities and accumulation of resources that are required to be held in trust for the members and beneficiaries of defined contribution plans. The Pension Trust Funds used by the City are used to account for transactions related to the City sponsored defined contribution pension plan.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the timing of the related cash flows.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item (b) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- (b). The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

Assets, Liabilities, and Equity

Cash

For the purpose of the Statement of Net Position, "cash" includes all demand, savings accounts, and certificate of deposits of the City. For the purpose of the proprietary funds Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, and other state shared revenues. Business-type activities report utilities as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales, franchise tax, grants, state shared revenues, and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories and Prepaid Items

The inventory for McMinnville Electric System is based on the average cost method, and the City of McMinnville Water and Sewer department values its inventory on cost using the first in/first out method. Prepaid items reflect costs applicable to future accounting periods.

Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

Compensated Absences - continued

The McMinnville Electric System provides for full time, regular employees to be granted vacation benefits in varying amounts to specified maximums depending on tenure with the System. Sick leave accrues to full time, regular employees to specified maximums. Generally after one year of service, employees are entitled to all of their accrued vacation leave upon termination. No accrued sick leave is available unless an employee retires from the System. At retirement, an employee can receive 100% of accumulated sick leave days in excess of 120 days.

Each employee receives three personal days at the start of the calendar year. If the employee leaves employment, any unused personal days are considered as additional vacation days. If the personal days are unused at year end they become additional sick days.

Credit Risk - Deposits

Various state statutes restrict the types of deposits available to the City. Deposits are limited to bank demand deposits, certificates of deposits, governmental overnight repurchase accounts, and the State Local Government Investment Pool (SLGIP).

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Net investment in capital assets---Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position---Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position--All other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committee, assigned or unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

Nonspendable Fund Balance

This category represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance

This category represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed Fund Balance

This category represents amounts that can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

Assigned Fund Balance

This category represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund.

Unassigned Fund Balance

This category represents the residual classification for the general fund or deficit balances in other funds.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The City applies investment earnings and then restricted resources when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts are used when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Revenues

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund, and of the electric enterprise fund are charges to customers for sales and services. The water and sewer department also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and are due and payable on or before April 30 of the following year. All unpaid taxes become delinquent May 1 of the following year. The City bills are transferred to the Warren County, Tennessee Clerk and Master's Office for collection. The City's property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectibility is improbable. At June 30, 2015, taxes receivable were \$ 5,553,453, and the allowance for uncollectibles was \$ 200,000.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

Budgetary Data

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, each department head submits a proposed budget to the City Administrator. These proposed budgets are then consolidated and submitted by the City Administrator to the Finance Committee, which is composed of three aldermen.
2. The Finance Committee then reviews the proposed budget and makes any adjustments necessary to make it compatible with projected revenues.
3. The budget is then legally enacted through passage of an ordinance. Any revisions to the budget must be made by amending the original budget ordinance.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
5. Budgets for the General Fund and Special Revenue Funds are adopted using the cash basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Board of Mayor and Aldermen. There were no amendments made to the original budget.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost. The capitalization threshold is \$5,000.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25-40 years
Improvements	10-50 years
Machinery and Equipment	5-10 years
Utility System	25-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. McMinnville Electric System computes depreciation based on average rates. Those rates range from .012% to 25.0%.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and a court-assessed judgment.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The City expenses advertising cost as incurred. The amount expensed for the year was \$ 33,825.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City's outflow of resources relates to pension contributions made after the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has the following types of deferred inflows of resources: the unavailable revenue reported in the governmental funds balance sheet, which arises under a modified accrual basis of accounting, represents amounts that are deferred and recognized as an inflow of resources in the periods that the amounts become available. These amounts relate primarily to unavailable property taxes. The deferred inflows of resources reported in the statement of net position, arises from imposed nonexchange revenues (property taxes) which are assessed prior to the end of the fiscal year, but levied in the subsequent year.

The City has a deferred outflow of resources from the recording of employer pension contributions for the year ended June 30, 2015 and deferred inflow of resources from pension changes in experience and resources.

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of McMinnville's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from McMinnville's fiduciary net position have been determined on the same basis as they are reported to the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Implementation of New GASB Standard

During the year ended June 30, 2015, the City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27*. The requirements for this new standard are more fully explained in the following notes.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE B - RISK OF LOSS

It is the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, workers' compensation and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE C - CASH AND INVESTMENTS

It is the policy of the City for deposits to be 105% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation Insurance. At year end, all of the City's deposits and investments were fully collateralized or insured. The carrying amount of deposits and investments was \$ 10,019,408 and the bank balances were \$ 10,349,613. The City had petty cash amounting to \$ 10,157. \$206,858 of the above balances were in certificates of deposit bearing interest at 1.7%.

NOTE D - RESTRICTED CASH

Restricted for highways and streets	\$ 209,190
Restricted for capital projects	487,388
Restricted for drug enforcement	131,512
	<u>\$ 828,090</u>

NOTE E - CREDIT RISK - DEPOSITS

Various state statutes restrict the types of deposits available to the City. Deposits are limited to bank demand deposits, certificates of deposits, governmental overnight repurchase accounts and the State Local Government Investment Pool (SLGIP).

NOTE F - CONTRACTS RECEIVABLE - McMinnville Electric System

Contracts receivable consists of receivables from customers for weatherization loans made from TVA through the System. Customers are paying these receivables on a monthly basis with their electric bills. The estimated maturities of these receivables are as follows:

<u>Year ended June 30,</u>	
2016	\$ 120,678
2017	119,169
2018	116,341
2019	107,063
2020	95,762
Beyond five years	288,424
	<u>\$ 847,437</u>

NOTE G - TRANSFERS

The following transfers were made from the General Fund:

- 1)\$145,000 to Warren County E-911 operations of E-911 center
- 2)\$40,000 to Industrial Development Board for industrial recruitment

The Water & Sewer Fund owed the Solid Waste Collection and Disposal Fund \$ 103,902 at the end of the year for June garbage collection fees not remitted.

NOTE H - ACQUISITION ADJUSTMENTS - McMinnville Electric System

Acquisition adjustments represent the excess of purchase price over depreciated cost of additions to the electric plant acquired from others. The acquisition adjustments are being amortized against income on a straight line basis as determined by the Tennessee Valley Authority.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE I - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	July 1, 2014	Increases	Decreases	June 30, 2015
Governmental activities:				
Assets not being depreciated:				
Land	\$ 529,546	\$ 151,443		\$ 680,989
Construction in progress	\$ 362,316	1,800,625	\$ 2,162,941	-
	891,862	1,952,068	2,162,941	680,989
Assets being depreciated:				
Buildings	8,137,751	\$ 2,262,441		10,400,192
Machinery and equipment	2,012,146	141,574		2,153,720
Vehicles	5,369,420	158,829		5,528,249
Infrastructure	9,816,943			9,816,943
Totals at historical cost	26,228,122	4,514,912	2,162,941	28,580,093
Less accumulated depreciation				
Buildings	3,675,122	179,472		3,854,594
Machinery and equipment	1,711,213	62,307		1,773,520
Vehicles	4,280,582	257,247		4,537,829
Infrastructure	3,277,467	352,421		3,629,888
Total accumulated depreciation	12,944,384	851,447	-	13,795,831
Governmental activities capital assets, net	\$13,283,738	\$ 3,663,465	\$ 2,162,941	\$14,784,262
Business-type activities:				
Assets not being depreciated:				
Land	\$ 317,708			\$ 317,708
Construction in progress	620,466	\$ 62,870	\$ 591,232	92,104
	938,174	62,870	591,232	409,812
Assets being depreciated:				
Utility lines and plant - water and sewer	40,375,562	636,958		41,012,520
Equipment - water and sewer	1,777,891			1,777,891
Production plant - electric	4,713,245	120,656		4,833,901
Distribution plant - electric	22,441,906	2,147,238	806,294	23,782,850
General plant - electric	3,573,637	238,527	290,739	3,521,425
Totals at historical cost	73,820,415	3,206,249	1,688,265	75,338,399
Less accumulated depreciation				
Utility lines and plant - water and sewer	18,191,459	802,924		18,994,383
Equipment - water and sewer	1,526,146	57,911		1,584,057
Production plant - electric	4,294,906	94,126		4,389,032
Distribution plant - electric	10,318,667	927,711	971,776	10,274,602
General plant - electric	1,822,087	144,489	290,739	1,675,837
Total accumulated depreciation	36,153,265	2,027,161	1,262,515	36,917,911
	37,667,150	1,179,088	425,750	38,420,488
Acquisition adjustments - electric	2,751,351			2,751,351
Less accumulated amortization	2,517,615	44,756		2,562,371
Net acquisition adjustments	233,736	(44,756)		188,980
Business-type capital assets, net	\$37,900,886	\$ 1,134,332	\$ 425,750	\$38,609,468

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		Business-type activities:	
General government	\$ 293,776	Water and sewer	\$ 860,835
Police department	125,822	Electric	1,166,326
Fire department	63,599		<u>\$ 2,027,161</u>
Street aid	4,029		
Urban forestry	7,946		
Parks and recreation	144,465		
Public works	109,298		
Vehicle maintenance	7,419		
Solid waste collection	95,093		
	<u>\$ 851,447</u>		

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE J - LONG-TERM DEBT

Governmental Activities:

Accrued vacation payable:

Noncurrent portion

\$ 446,534

Capital Outlay Note on building at Regions Bank, interest rate 3.49%,

principal payable \$123,292 annually through March 1, 2020

616,456

Tennessee Municipal Bond Fund Note on paving, interest rate 4%,

due in annual principal installments of \$125,000 to \$187,000 through May 25, 2023

1,358,249

Capital Outlay Note for demolition costs of Blue Building and resurfacing swimming pool, interest rate 3-4%

372,000

Tennessee Municipal League for Park Theatre renovation, interest rate 2.91%

1,839,259

General obligation bond

\$2,635,000 2012 Refunding Bond serial bonds due in annual installments

of \$190,000 to \$260,000 through May, 2022: interest at various rates of 3.0% to 4.0%

1,648,400

This note is paid partially from the Water and Sewer fund as noted below

(220,000)

6,060,898

Add unamortized premium on bond

63,601

\$ 6,124,499

All of the General Obligation Debt is paid by the General Fund.

Business-type Activities:

As of June 30, 2015, the long-term debt payable from proprietary fund resources consisted of the following:

Electric System and Water and Sewer department:

Accrued vacation payable:

Noncurrent portion

\$ 747,899

Water and Sewer department:

Portion of Capital Projects serial bonds paid by Water and Sewer as noted above

220,000

State of Tennessee loan (DWF 03-171); interest rate 1.70%

1,579,246

State of Tennessee loan (DWF 03-053); interest rate 1.70%

1,466,976

State of Tennessee loan (SRF 93-054); interest rate 2.46%

66,618

State of Tennessee loan (SAF 09-232); interest rate 1.80%

734,904

State of Tennessee loan (DWF 09-082); interest rate 1.84%

1,871,002

State of Tennessee loan (DWA 09-085); interest rate 1.80%

287,191

6,225,937

Unamortized premium on bond, Water and Sewer portion

9,573

Electric System:

Contracts payable to Caney Fork Electric Cooperative, Inc. - annexations: interest 0%

144,224

Accrued post employment benefits other than pension

143,925

Loans from TVA for home weatherization; interest rate 6 to 9% secured by UCC-1's from customers

858,357

1,146,506

\$ 8,129,915

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance at July 1, 2014	Additions	Deductions	Balance at June 30, 2015	Amount due within one year
Governmental Activities:					
Bonds payable	\$ 4,484,085	\$ 2,030,458	\$ 836,578	\$ 5,677,965	\$ 599,292
Accrued compensated absences	456,899		10,365	446,534	immaterial
	<u>\$ 4,940,984</u>	<u>\$ 2,030,458</u>	<u>\$ 846,943</u>	<u>\$ 6,124,499</u>	<u>\$ 599,292</u>
Business-type Activities:					
Bonds and notes payable	\$ 7,830,846		\$ 592,755	\$ 7,238,091	\$ 644,413
Post employment benefits other than pension	\$ 130,540	13,385		143,925	immaterial
Accrued compensated absences	725,036	22,863		747,899	immaterial
	<u>\$ 8,686,422</u>	<u>\$ 36,248</u>	<u>\$ 592,755</u>	<u>\$ 8,129,915</u>	<u>\$ 644,413</u>

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE J - LONG-TERM DEBT - continued

The annual requirement to amortize all long-term debt outstanding are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,243,705	\$ 302,891	\$ 1,546,596
2017	1,192,317	254,827	1,447,144
2018	1,202,712	224,279	1,426,991
2019	1,179,445	191,287	1,370,732
2020	1,190,351	158,223	1,348,574
2021-2025	4,147,720	359,267	4,506,987
2026-2030	2,052,818	86,979	2,139,797
2031-2034	633,814	3,734	637,548
	<u>12,842,882</u>	<u>\$ 1,581,487</u>	<u>\$ 14,424,369</u>
Add unamortized premium on refinancing	73,174		
	<u>\$ 12,916,056</u>		

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

There are two TML loans that the proceeds have not been received in full, and the amortization of those loans has not yet been made. They are not included in the above amortization amounts.

NOTE K - RESTRICTED NET POSITION

Restriction on net position are for the following:

	<u>Governmental</u>
Highways and streets expenditures	\$ 249,390
Drug enforcement	131,512
	<u>\$ 380,902</u>

NOTE L - IN LIEU OF TAXES

McMinnville Electric System and the Water and Sewer Department paid \$ 655,068 to the City in lieu of taxes which is shown as a transfer on the Statement of Activities.

NOTE M - INTEREST EXPENSE

Interest costs incurred for the year was \$ 255,393. Of this amount \$ 11,012 was capitalized and \$244,381 was expensed.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE N - BUDGETED CASH BASIS TO GAAP RECONCILIATION

The accompanying Budgetary Comparison Schedules presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, timing, perspective and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 2015 is presented below:

	General Fund	State Street Aid Fund	Solid Waste Fund	Drug Fund
Excess (Deficiency) of revenues over expenditures (budgetary basis)	\$ (1,657,747)	\$ (18,041)	\$ 38,000	\$ 15,924
Adjustments:				
Adjust revenues for tax accruals and deferrals	92,125	2,202	3,188	
In lieu of tax payments reported as other financing source	(655,068)			
Adjust expenditures for accruals	23,600	2,060	16,335	
Excess (Deficiency) of revenues over expenditures (GAAP basis)	\$ (2,197,090)	\$ (13,779)	\$ 57,523	\$ 15,924

NOTE O - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all City employees except McMinnville Electric System employees, and permits them to defer a portion of their salaries until future years. The City matches employee contributions up to \$500 per employee per year. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death.

All assets of the plan are held for the exclusive benefit of participants and beneficiaries in an annuity contract issued by Aetna Life Insurance and Annuity Company.

Assets of the plan are not included in the City's financial statements since these assets are not the property of the City.

NOTE P - McMINNVILLE ELECTRIC DEFINED CONTRIBUTION PENSION PLAN

The McMinnville Electric System Money Purchase Pension Plan is a defined contribution pension plan established by the McMinnville Electric System to provide benefits at retirement to eligible electric system employees. At June 30, 2015, there were 18 plan members. Plan members are required to contribute 4% of covered salary. The System is required to contribute 10% of annual covered compensation. Plan provisions and contribution requirements are established and may be amended by the Board of Directors of McMinnville Electric System. Contributions to the plan for the year for the company and employees were \$98,725 and \$39,490, respectively.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE Q - SEGMENT INFORMATION

The City of McMinnville issued revenue bonds to finance its water and sewer department, which operates the City's water and sewer treatment plant, pumping stations, and collection systems. Both the water and sewer are handled in a single department and are accounted for in a single fund. Investors rely on the revenues generated by the department for repayment of the bonds. Summary financial information for the water and sewer department is presented below.

Condensed Statement of Net Position

Assets:	
Current assets	\$ 2,465,087
Capital assets	22,402,341
Total assets	<u>24,867,428</u>
Deferred Outflows of Resources	<u>202,514</u>
Liabilities:	
Current liabilities	1,393,738
Noncurrent liabilities	7,460,119
Total liabilities	<u>8,853,857</u>
Deferred Inflows of Resources	<u>386,427</u>
Net Position:	
Net investment in capital assets	16,166,831
Unrestricted	1,056,565
	<u>\$ 17,223,396</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Water and sewer charges (pledged against bonds)	\$ 4,958,188
Depreciation expense	(860,835)
Other operating expenses	(3,053,224)
Operating income	<u>1,044,129</u>
Nonoperating revenues (expenses):	
Interest income	3,313
Intergovernmental	(240,000)
Interest expense	(116,202)
Capital contributions	<u>87,750</u>
Change in net position	778,990
Beginning net position	16,444,406
Ending net position	<u>\$ 17,223,396</u>

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ 1,662,432
Noncapital financing activities	(240,000)
Capital and related financing activities	(654,073)
Investing activities	<u>3,313</u>
Net increase (decrease)	771,672
Beginning cash and cash equivalents	751,037
Ending cash and cash equivalents	<u>\$ 1,522,709</u>

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE R - OTHER POST EMPLOYMENT BENEFITS

Plan Description

McMinnville Electric System Post-Retirement Medical Plan is a single-employer defined benefit plan administered by the McMinnville Electric System Board of Public Utilities. This plan provides health insurance coverage and some portion of premium payments for eligible retirees. The criteria to determine eligibility include date of employment and employee age at retirement. Eligible retirees' health insurance premiums may be paid up to 100% per month by McMinnville Electric System. Their spouse's health insurance premium costs may be covered up to 25% per month by McMinnville Electric System. The authority to establish and amend benefit provisions is assigned to the McMinnville Electric System Board of Public Utilities. The plan issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Acuff & Associates, 210 Westwood Place Suite 100, Brentwood, TN 37027 or by calling 1-615-726-2410.

Funding Policy

The Department funds the benefits on a pay-as-you-go basis. The actuarial required contribution for the year was \$24,379 and the actual amount contributed was \$10,169.

Annual Cost

For 2015, the Department's annual cost of \$10,169 was less than the Department's actuarial required contribution of \$24,379. The required contribution was determined as part of the July 1, 2014 actuarial valuation using the entry age normal method. The actuarial assumptions included (a) 3.0% interest per year, compounded annually, net of expenses (b) all employees will retire at age 65. The current ARC rate is 1.06 percent of annual covered payroll.

Trend Information

<u>Fiscal Year Ending</u>	<u>Actuarial Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Obligation</u>
June 30, 2013	\$ 27,680	32.0%	\$ 113,356
June 30, 2014	\$ 23,648	76.4%	\$ 106,086
June 30, 2015	\$ 24,379	41.8%	\$ 143,925

The actuarial required contribution is composed of the following:

Normal cost	\$ 20,044
30 year amortization of accrued liability	904
Interest at 3%	3,431
Total at end of year with interest	<u>24,379</u>
Expected Benefit Payments	<u>10,169</u>
Net post-employment benefit at end of year	<u>\$ 14,210</u>

Funding Status and Funding Progress

Actuarial accrued liability (AAL)	\$ 264,314
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 264,314</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 1,264,060
UAAL as a percentage of covered payroll	20.9%

NOTES TO FINANCIAL STATEMENTSYear ended June 30, 2015

NOTE R - OTHER POST EMPLOYMENT BENEFITS - continued

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

NOTE S - ACCOUNTS RECEIVABLE

\$ 0 or 0% of the total Water and Sewer accounts receivable were 90 days or more past due.

\$ 1,825 or .09% of the Electric System accounts receivable were 90 days or more past due

NOTE T - COMMITMENTS

The City is renovating the Park Theatre. The renovation is being financed by a \$2,000,000 capital outlay note.

NOTE U - GENERAL INFORMATION ABOUT THE PENSION PLAN - CITY OF McMINNVILLE

Plan Description

Employees of McMinnville are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are

eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the members' highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE U - GENERAL INFORMATION ABOUT THE PENSION PLAN - CITY OF McMINNVILLE - continued*Employees covered by benefit terms*

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	94
Inactive employees entitled to but not yet receiving benefits	103
Active employees	137
	<hr/>
	334
	<hr/>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. McMinnville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for McMinnville were \$ 960,662 based on a rate of 15.55 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept McMinnville's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

McMinnville's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third techniques. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE U - GENERAL INFORMATION ABOUT THE PENSION PLAN - CITY OF McMINNVILLE - continued

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from McMinnville will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability(Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/13	\$26,381,351	\$22,578,834	\$ 3,802,517
Changes for the year:			
Service cost	433,231		433,231
Interest	1,972,582		1,972,582
Differences between expected and actual experience	(154,495)		(154,495)
Contributions - employer		926,333	(926,333)
Contributions - employee			-
Net investment income		3,724,850	(3,724,850)
Benefit payments, including refunds of employee contributions	\$ (1,026,970)	(1,026,970)	
Administrative expense		(6,248)	6,248
Net changes	1,224,348	3,617,965	(2,393,617)
Balance at 6/30/14	\$27,605,699	\$26,196,799	\$ 1,408,900

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE U - GENERAL INFORMATION ABOUT THE PENSION PLAN - CITY OF McMINNVILLE - continued

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of McMinnville calculated using the discount rate of 7.5 percent, as well as what the net pension liability(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
McMinnville's net pension liability (asset)	\$ 5,143,333	\$ 1,408,900	\$ (1,703,951)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred
Inflows of Resources Related to Pensions**

Pension expense

For the year ended June 30, 2015, McMinnville recognized pension expense of \$ 289,819.

Deferred Outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, McMinnville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 128,746
Net difference between projected and actual earnings on pension plan investments		1,628,357
Contributions subsequent to the measurement date of June 30, 2015	\$ 960,662	
Total	\$ 960,662	\$ 1,757,103

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$ (432,838)
2017	(432,838)
2018	(432,838)
2019	(432,838)
2020	(25,749)
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, McMinnville reported a payable of \$ 0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015. All payments were made prior to June 30, 2015.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE V - GENERAL INFORMATION ABOUT THE PENSION PLAN - McMINNVILLE ELECTRIC SYSTEM

Plan Description

Employees of McMinnville Electric System are provided a defined benefit pension plan through the McMinnville Electric System Defined Benefit Pension Plan, an single employer pension plan administered by the McMinnville Electric System. The McMinnville Electric System Pension Board of Trustees is responsible for the proper operation and administration of the plan. The plan issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to USI Consulting Group, 95 Glastonbury Boulevard, Suite 102, Glastonbury, CT 06033 or by calling 1-860-633-5283.

Benefits Provided

McMinnville Electric System Pension Board establishes the benefit terms and can be amended only by the McMinnville Electric System Board of Public Utilities. Members are eligible to retire with an unreduced benefit at age 62. Benefits are determined by a formula using the members' highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with seven years of service credit. Disability benefits are provided at the accrued benefit payable at the normal retirement date or a reduced, immediate benefit determined to be the actuarial equivalent of the deferred benefit. A death benefit is provided for the spouse of a participant which is the same benefit that would be payable to a survivor annuity if the participant had retired with an immediate 50% Joint and Survivor Annuity on the day before his death.

Employees covered by benefit terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Active employees	<u>13</u>
	<u>18</u>

Contributions

The contribution requirements of plan members and the System are established and may be amended by the McMinnville Electric System. Employees contribute 4 percent of salary. McMinnville Electric makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2014, employer contributions for the plan were \$ 244,957 based on a rate of 32.58 percent of covered payroll. By law, employer contributions are required to be paid. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

McMinnville's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal, Level Dollar
Amortization method	Level amortization, closed
Remaining amortization period	20 years
Asset valuation method	Five-year asset average spreading investment gains and losses
Inflation	2.4% per annum
Salary increases	4.00% per annum
Investment rate of return	5.75 % per annum, pre-retirement. 6.00% post retirement
Retirement age	100% at age 62
Mortality	IRS Combined Static Mortality Table for the Year of the Valuation

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE V - GENERAL INFORMATION ABOUT THE PENSION PLAN - McMINNVILLE ELECTRIC SYSTEM -continued

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the McMinnville Electric System Board by a majority vote of its members. It is the policy of the McMinnville Electric System Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Large Value	11.30%	8%
Large Growth	10.63%	8%
Mid-Cap Value	13.37%	5%
Mid-Cap Growth	12.50%	5%
Small Blend	11.65%	10%
Foreign Large Blend	7.44%	5%
Foreign Small/Mid Growth	6.16%	5%
Diversified Emerging Mkts	9.62%	5%
Real Estate	12.74%	5%
World Bond	6.06%	5%
High Yield Bond	8.58%	4%
Long-Term Bond	8.64%	4%
Intermediate-Term Bond	6.34%	8%
Inflation-Protected Bond	6.88%	8%
Short-Term Bond	4.69%	8%
Bank Loan	5.94%	4%
Money Market Taxable	2.94%	4%
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was 5.75% based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from McMinnville Electric will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability(Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/13	\$ 6,935,517	\$ 5,866,813	\$ 1,068,704
Changes for the year:			
Service cost	87,250		87,250
Interest	393,820		393,820
Differences between expected and actual experience			-
Contributions - employer		244,957	(244,957)
Contributions - employee		29,839	(29,839)
Net investment income		802,535	(802,535)
Benefit payments, including refunds of employee contributions	\$ (175,376)	(175,376)	
Administrative expense		(1,927)	1,927
Net changes	<u>305,694</u>	<u>900,028</u>	<u>(594,334)</u>
Balance at 6/30/14	<u>\$ 7,241,211</u>	<u>\$ 6,766,841</u>	<u>\$ 474,370</u>

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE V - GENERAL INFORMATION ABOUT THE PENSION PLAN - McMINNVILLE ELECTRIC SYSTEM -continued

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of McMinnville Electric's calculated using the discount rate of 5.75 percent, as well as what the net pension liability(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
McMinnville Electric's net pension liability	\$ 1,362,439	\$ 474,370	\$ (284,441)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred
Inflows of Resources Related to Pensions**

Pension expense

For the year ended June 30, 2015, McMinnville Electric recognized pension expense of \$ 31,823.

Deferred Outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, McMinnville Electric reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual earnings on pension plan investments		\$ 369,944
Contributions subsequent to the measurement date of June 30, 2014	\$ 244,957	
Total	\$ 244,957	\$ 369,944

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2015	\$ (92,486)
2016	(92,486)
2017	(92,486)
2018	(92,486)
2019	-
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2014, McMinnville reported a payable of \$ 23,031 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2014.

CITY OF McMINNVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2015

NOTE W - RESTATED NET POSITION DUE TO IMPLEMENTATION OF GASB No. 68

	Previously Reported	Record Effects of GASB 68	As Restated June 30, 2014
<u>Governmental Funds</u>			
Total assets	\$ 26,168,677		\$ 26,168,677
Deferred outflows of resources			
Total liabilities	5,493,327	2,794,004	8,287,331
Deferred inflows of resources	4,560,000		4,560,000
Net position			
Net investment in capital assets	8,799,653		8,799,653
Restricted	378,757		378,757
Unrestricted	6,936,940	(2,794,004)	4,142,936
Total net position	\$ 16,115,350	\$ (2,794,004)	\$ 13,321,346
<u>Proprietary Funds</u>			
Total assets	\$ 46,220,079	\$ (839,312)	\$ 45,380,767
Deferred outflows of resources			
Total liabilities	11,044,442	1,246,500	12,290,942
Deferred inflows of resources			-
Net position			
Net investment in capital assets	30,970,511		30,970,511
Restricted			-
Unrestricted	4,205,126	(2,085,812)	2,119,314
Total net position	\$ 35,175,637	\$ (2,085,812)	\$ 33,089,825

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF McMINNVILLE, TENNESSEE

**SCHEDULE OF CHANGES IN McMINNVILLE ELECTRIC SYSTEM'S NET PENSION LIABILITY
(ASSETS) AND RELATED RATIOS BASED ON PARTICIPATION IN THE McMINNVILLE ELECTRIC
EMPLOYEE PENSION PLAN**

Last Fiscal Year ending June 30

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 85,806	\$ 82,506
Interest	415,842	398,564
Changes in benefit terms	-	-
Differences between actual & expected experience	(43,088)	-
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(192,673)	(175,376)
Net change in total pension liability	<u>265,887</u>	<u>305,694</u>
Total pension liability - beginning	<u>7,241,211</u>	<u>6,935,517</u>
Total pension liability - ending (a)	<u><u>\$7,507,098</u></u>	<u><u>\$ 7,241,211</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ 229,075	\$ 244,957
contributions - employee	28,451	29,839
Net investment income	154,128	802,535
Benefit payments, including refunds of employee contributions	(192,673)	(175,376)
Administrative expense	(1,883)	(1,927)
Net change in plan fiduciary net position	<u>217,098</u>	<u>900,028</u>
Plan fiduciary net position - beginning	<u>6,766,841</u>	<u>5,866,813</u>
Plan fiduciary net position - ending (b)	<u><u>\$6,983,939</u></u>	<u><u>\$ 6,766,841</u></u>
 Net Pension Liability (asset) - ending (a) - (b)	<u><u>\$ 523,159</u></u>	<u><u>\$ 474,370</u></u>
 Plan fiduciary net position as a percentage of total pension liability	93.03%	93.45%
 Covered - employee payroll	\$ 777,736	\$ 751,922
 Net pension liability (asset) as a percentage of covered-employee payroll	67.27%	63.09%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.

Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF McMINNVILLE ELECTRIC SYSTEM CONTRIBUTIONS

Last Fiscal Year ending June 30

	2014	2015
Actuarially determined contribution	\$ 207,628	\$ 225,031
Contributions in relation to the actuarially determined contribution	229,075	244,957
Contribution deficiency (excess)	\$ (21,447)	\$ (19,926)
Covered-employee payroll	\$ 777,736	\$ 751,922
Contributions as a percentage covered-employee payroll	29.45%	32.58%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of the beginning of the fiscal year (July1).

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal, level dollar
Amortization method	Level dollar, closed
Remaining amortization period	20 years
Asset valuation	Five-year asset average spreading investment gains and losses
Inflation	N/A
Salary increases	4.00% per annum
Investment Rate of Return	5.75% per annum, pre-retirement, 6.00% post-retirement.
Retirement age	100% at Age 62
Mortality	IRS Combined Static Mortality Table for the Year of the Valuation

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF CHANGES IN McMINNVILLE'S NET PENSION LIABILITY (ASSET) AND RELATED
RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year ending June 30

	2014
Total pension liability	
Service cost	\$ 433,231
Interest	1,972,582
Changes in benefit terms	-
Differences between actual & expected experience	(154,495)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(1,026,970)
Net change in total pension liability	1,224,348
Total pension liability - beginning	26,381,351
Total pension liability - ending (a)	<u>\$27,605,699</u>
 Plan fiduciary net position	
Contributions - employer	\$ 926,333
contributions - employee	
Net investment income	3,724,850
Benefit payments, including refunds of employee contributions	(1,026,970)
Administrative expense	(6,248)
Net change in plan fiduciary net position	3,617,965
Plan fiduciary net position - beginning	22,578,834
Plan fiduciary net position - ending (b)	<u>\$26,196,799</u>
 Net Pension Liability (asset) - ending (a) - (b)	<u>\$ 1,408,900</u>
 Plan fiduciary net position as a percentage of total pension liability	94.90%
 Covered - employee payroll	\$ 6,030,815
 Net pension liability (asset) as a percentage of covered-employee payroll	23.36%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF McMINNVILLE'S CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year ending June 30

	2014	2015
Actuarially determined contribution	\$ 926,333	\$ 960,662
Contributions in relation to the actuarially determined contribution	926,333	960,662
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 6,030,815	\$ 6,177,811
Contributions as a percentage covered-employee payroll	15.36%	15.55%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	10 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF FUNDING PROGRESS FOR POST-RETIREMENT MEDICAL PLAN -
McMINNVILLE ELECTRIC SYSTEM

For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2008	\$ -	\$ 284,238	\$ 284,238	0.0%	\$ 1,785,608	15.9%
6/30/2010	\$ -	\$ 230,135	\$ 230,135	0.0%	\$ 1,783,341	12.9%
6/30/2013	\$ -	\$ 264,314	\$ 264,314	0.0%	\$ 1,264,060	20.9%

OTHER SUPPLEMENTARY INFORMATION

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER AWARDS

Year ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
Department of Economic and Community Development/Tennessee Department of Economic and Community Development	14.228	6574	\$ 16,799
National Highway Traffic Administration/Tennessee Department of Transportation/Governor Highway Safety	20.607	Z14ghs225A	16,994
Federal Highway Agency/Tennessee Department of Transportation	20.205	STP-M-9206(16)	<u>16,000</u>
Total Federal Awards			<u>\$ 49,793</u>
<u>Other Awards</u>			
TML Risk Management Pool	N/A	N/A	540
TML Risk Management Pool	N/A	N/A	<u>2,000</u>
Total Other Awards			<u>\$ 2,540</u>
Total Federal, State, and Other Awards			<u>\$ 52,333</u>

None of the above are major federal programs.

CITY OF McMinnville, Tennessee

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE,
AND OTHER AWARDS

Year ended June 30, 2015

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards, state financial assistance, and other awards includes the federal and state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

Year ended June 30, 2015

Tax Year	Property Tax Receivable Balance at June 30, 2014	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Allowance for Doubtful Accounts	Net Receivable Balance at June 30, 2015
2015			\$4,978,205			\$ 30,150	\$ 4,948,055
2014	\$ 4,560,000	\$ 373,909		\$ (8,461)	\$ 4,544,090	40,000	341,358
2013	\$ 405,425				269,059	30,000	106,366
2012	155,792				30,533	30,000	95,259
2011	106,151				31,259	30,000	44,892
2010	33,978				4,521	20,000	9,457
2009	15,044				1,045	10,900	3,099
2008	10,661				317	6,000	4,344
2007	3,077				746	2,000	331
2006	997					900	97
2005	245					50	195
2004	350			(350)			-
Totals	\$ 5,291,720	\$ 373,909	\$ 4,978,205	\$ (8,811)	\$ 4,881,570	\$ 200,000	\$ 5,553,453

Tax rates and taxes assessed for the 10 most current years follows:

Year of Levy	Tax Rate	Assessment
2006	1.73 per 100	3,338,695
2007	1.80 per 100	3,488,256
2008	1.80 per 100	3,527,557
2009	1.99 per 100	3,963,539
2010	1.90 per 100	4,467,520
2011	2.09 per 100	4,859,805
2012	2.09 per 100	4,890,915
2013	2.09 per 100	4,841,655
2014	2.09 per 100	4,925,098
2015	2.09 per 100	4,978,205

All taxes for years prior to 2006 have been deemed uncollectible under the statute requiring a sale to be conducted within ten years after the tax is filed for collection.

A summary of changes in the allowance for doubtful taxes during the year ended June 30, 2015 follows:

Balance at July 1, 2014	\$ 188,700
Additions during the year:	
Estimate made for 2015 taxes	11,650
	<u>200,350</u>
Less:	
Taxes written off during the year	350
Balance at June 30, 2015	<u>\$ 200,000</u>

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF LONG TERM DEBT

Year ended June 30, 2015

General Obligation Debt:

Fiscal Year	Tennessee Municipal League Note			2015 Refunding bond		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 123,292	\$ 21,514	\$ 144,806	\$ 185,000	\$ 53,450	\$ 238,450
2017	123,292	17,211	140,503	190,000	47,900	237,900
2018	123,292	12,909	136,201	195,000	42,200	237,200
2019	123,292	8,606	131,898	205,000	34,400	239,400
2020	123,288	4,303	127,591	215,000	26,200	241,200
2021				215,000	17,600	232,600
2022				223,400	9,000	232,400
	<u>\$ 616,456</u>	<u>\$ 64,543</u>	<u>\$ 680,999</u>	<u>1,428,400</u>	<u>\$ 230,750</u>	<u>\$ 1,659,150</u>
	Add unamortized premium on refinancing			63,601		
				<u>\$ 1,492,001</u>		

Fiscal Year	2015 Capital Outlay Note			Tennessee Municipal League Note		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 37,000	\$ 10,825	\$ 47,825	\$ 164,000	\$ 37,827	\$ 201,827
2017	38,000	9,749	47,749	167,000	33,399	200,399
2018	39,000	8,625	47,625	170,000	28,890	198,890
2019	40,000	7,508	47,508	173,000	24,300	197,300
2020	41,000	6,345	47,345	177,000	19,629	196,629
2021	42,000	5,151	47,151	180,000	14,769	194,769
2022	44,000	3,929	47,929	183,000	9,990	192,990
2023	45,000	2,648	47,648	144,249	5,049	149,298
2024	46,000	1,354	47,354			
	<u>\$ 372,000</u>	<u>\$ 56,134</u>	<u>\$ 428,134</u>	<u>\$ 1,358,249</u>	<u>\$ 173,853</u>	<u>\$ 1,532,102</u>

This note will be \$ 1,401,000 when fully drawn.

Tennessee Municipal League Note	
Fiscal Year	Principal
2016	\$ 90,000
2017	91,000
2018	92,000
2019	93,000
2020	94,000
2021	96,000
2022	97,000
2023	98,000
2024	99,000
2025	100,000
2026	102,000
2027	103,000
2028	104,000
2029	105,000
2030	107,000
2031	108,000
2032	109,000
2033	111,000
2034	40,259
	<u>\$ 1,839,259</u>

Note: interest is not accrued on this note until it is fully drawn

This note will be \$ 1,911,000 when fully drawn.

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF LONG TERM DEBT

Year ended June 30, 2015

Water and Sewer Department:

TN Dept of Public Health SRF 93-054			
Fiscal Year	Principal	Interest	Total
2016	\$ 66,618	\$ 660	\$ 67,278

TN Dept of Public Health DWF 03-053			
Fiscal Year	Principal	Interest	Total
2016	\$ 126,528	\$ 23,964	\$ 150,492
2017	128,700	21,792	150,492
2018	130,908	19,584	150,492
2019	133,152	17,340	150,492
2020	135,432	15,060	150,492
2021	137,748	12,744	150,492
2022	140,112	10,380	150,492
2023	142,512	7,980	150,492
2024	144,948	5,544	150,492
2025	147,432	3,060	150,492
2026	99,504	640	100,144
2027			
2028			
2029			
	<u>\$ 1,466,976</u>	<u>\$ 138,088</u>	<u>\$ 1,605,064</u>

TN Dept of Public Health SRF 03-171		
Principal	Interest	Total
\$ 102,132	\$ 26,052	\$ 128,184
103,884	24,300	128,184
105,660	22,524	128,184
107,472	20,712	128,184
109,308	18,876	128,184
111,180	17,004	128,184
113,088	15,096	128,184
115,032	13,152	128,184
117,000	11,184	128,184
119,004	9,180	128,184
121,044	7,140	128,184
123,120	5,064	128,184
125,220	2,964	128,184
106,102	844	106,946
<u>\$ 1,579,246</u>	<u>\$ 194,092</u>	<u>\$ 1,773,338</u>

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF LONG TERM DEBT

Year ended June 30, 2015

Water & Sewer Department:

Fiscal Year	TN Dept of Public Health DWA 09-085		
	Principal	Interest	Total
2016	\$ 16,217	\$ 5,230	\$ 21,447
2017	16,512	4,935	21,447
2018	16,811	4,636	21,447
2019	17,116	4,331	21,447
2020	17,427	4,020	21,447
2021	17,743	3,704	21,447
2022	18,065	3,382	21,447
2023	18,393	3,054	21,447
2024	18,727	2,720	21,447
2025	19,067	2,380	21,447
2026	19,413	2,034	21,447
2027	19,765	1,682	21,447
2028	20,124	1,323	21,447
2029	20,489	958	21,447
2030	20,861	586	21,447
2031	10,461	208	10,669
	<u>\$ 287,191</u>	<u>\$ 45,183</u>	<u>\$ 332,374</u>

Series 2015 General Obligation		
Principal	Interest	Total
\$ 30,000	\$ 8,200	\$ 38,200
30,000	7,300	37,300
30,000	6,400	36,400
30,000	5,200	35,200
30,000	4,000	34,000
35,000	2,800	37,800
35,000	1,400	36,400
<u>\$ 220,000</u>	<u>\$ 35,300</u>	<u>\$ 255,300</u>
9,573	Add unamortized premium	
<u>\$ 229,573</u>	on refinancing	

Fiscal Year	TN Dept of Public Health SRF 09-232		
	Principal	Interest	Total
2016	\$ 39,528	\$ 12,900	\$ 52,428
2017	40,236	12,192	52,428
2018	40,968	11,460	52,428
2019	41,712	10,716	52,428
2020	42,468	9,960	52,428
2021	43,248	9,180	52,428
2022	44,028	8,400	52,428
2023	44,832	7,596	52,428
2024	45,636	6,792	52,428
2025	46,464	5,964	52,428
2026	47,316	5,112	52,428
2027	48,168	4,260	52,428
2028	49,044	3,384	52,428
2029	49,932	2,496	52,428
2030	50,844	1,584	52,428
2031	51,768	660	52,428
2032	8,712	5	8,717
	<u>\$ 734,904</u>	<u>\$ 112,661</u>	<u>\$ 847,565</u>

TN Dept of Public Health DWF 09-082		
Principal	Interest	Total
\$ 97,956	\$ 33,600	\$ 131,556
99,768	31,788	131,556
101,616	29,940	131,556
103,512	28,044	131,556
105,432	26,124	131,556
107,388	24,168	131,556
109,380	22,176	131,556
111,408	20,158	131,566
113,472	18,084	131,556
115,584	15,972	131,556
117,720	13,836	131,556
119,904	11,652	131,556
122,136	9,420	131,556
124,404	7,152	131,556
126,708	4,848	131,556
129,060	2,496	131,556
65,554	365	65,919
<u>\$ 1,871,002</u>	<u>\$ 299,823</u>	<u>\$ 2,170,825</u>

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF LONG TERM DEBT

Year ended June 30, 2015

Electric System:

Fiscal Year	Caney Fork Electric - Annexations			TVA Energy Advances		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 44,756	N/A	\$ 44,756	\$ 120,678	\$ 68,669	\$ 189,347
2017	44,756	N/A	44,756	119,169	44,261	163,430
2018	41,116	N/A	41,116	116,341	37,111	153,452
2019	5,127	N/A	5,127	107,062	30,130	137,192
2020	4,234	N/A	4,234	95,762	23,706	119,468
2021	4,235	N/A	4,235	103,423	14,968	118,391
2022				100,419	9,797	110,216
2023				95,503	1,758	97,261
	<u>\$ 144,224</u>	<u>\$ -</u>	<u>\$ 144,224</u>	<u>\$ 858,357</u>	<u>\$ 230,400</u>	<u>\$ 1,088,757</u>

CITY OF McMinnville, Tennessee

INFORMATION REQUIRED BY TENNESSEE COMPTROLLER OF THE TREASURY
SCHEDULE OF INSURANCE

Year ended June 30, 2015

Coverage on McMinnville Electric System:

<u>Coverage</u>	<u>Limits</u>	<u>Type</u>
Money and securities	500,000	Theft
Buildings and contents, including substations	10,206,710	Fire and extended coverage
Workman's compensation	Statutory	Employees
Public liability	5,000,000	
Automobiles and trucks	700,000	Combined single limit
Errors and omissions	5,000,000	
Generation Plant	4,000,000	
Pollution	1,000,000	
General liability	700,000	

Coverage other than McMinnville Electric System:

<u>Coverage</u>	<u>Limits</u>	<u>Expires</u>
Employee bonds:		
City Recorder	52,000	October 17, 2015
City Administrator	5,000	August 29, 2015
City Judge	5,000	February 7, 2016
TDOT utility bond	100,000	July 1, 2015
Property and Crime:		July 1, 2015
Buildings	67,912,448	
Personal property	1,674,000	
Mobile equipment	348,581	
Employee dishonesty	150,000	
Automobile liability and damage:		August 1, 2015
Bodily injury	300,000	per occurrence
	700,000	aggregate
Property damage	100,000	
Physical damage	per schedule	
Errors and omissions	1,000,000	August 1, 2015
Workman's compensation	statutory	July 1, 2015
General liability:		August 1, 2015
Bodily or personal injury	300,000	per occurrence
	700,000	aggregate
Property damage	100,000	
Medical payments	1,000	per occurrence
	10,000	aggregate
Fire damage	100,000	
Impounded property	100,000	

CITY OF McMINNVILLE, TENNESSEE
SCHEDULE OF WATER AND SEWER RATES

June 30, 2015

	Inside City Limits	Outside City Limits
Water rates		
Residential:		
Minimum bill	\$ 6.00	\$ 12.00
Per 100 gallons	0.475	0.714
Industrial/Commercial:		
Minimum bill	6.00	12.00
Per 100 gallons	0.516	0.685
Sewer rates:		
Residential:		
Minimum bill	\$ 6.00	\$ 12.00
Per 100 gallons	0.557	0.789
Industrial/Commercial:		
Minimum bill	6.00	12.00
Per 100 gallons	0.606	0.858

The number of customers at June 30, 2015 were as follows:

Water	6,232
Sewer	5,182

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF RATES IN FORCE - McMINNVILLE ELECTRIC SYSTEM

June 30, 2015

Residential Rate			
Customer charge per month	\$	11.63	
Energy charge:			
First 800 KWH per KW per month			0.08944
Additional KWH per month			0.08128
General Power Rate			
Part A (Demand 0 - 5,000 KW)			
1. Less than 50 KW			
Customer charge per month		19.70	
Energy charge:			
First 1500 KWH per KW per month			0.09971
Additional KWH per month			0.09665
2. Between 51 KW and 1,000 KW			
Customer charge per month		52.52	
Demand charge:			
After 50 KW per month		13.05	
Energy charge:			
First 15,000 KWH per month			0.09636
Additional KWH per month			0.05933
		Commercial	Manufacturing
		GSA-3	GSA-3
3. Demand between 1,001 and 5,000 KW			
Customer charge per month		984.82	984.82
Demand charge:			
First 1,000 KW per month		12.41	11.03
Additional KW per month		11.10	9.47
Energy charge:			
All KWH per month		0.06109	0.05569
		Manufacturing	Commercial
		SMSB	GSB
4. Demand between 5,001 and 15,000 KW			
Customer charge per month		1,500.00	1,500.00
Administrative charge		350.00	350.00
Demand charge all KW		19.65	22.70
Energy charge:			
All Kwh		0.04047	0.04855

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF RATES IN FORCE - McMINNVILLE ELECTRIC SYSTEM

June 30, 2015

Street Lighting:

Customer charge

All KWH

0.06392

Plus investment charge

15.00

Outdoor lighting:

100 Watt H.P.S. 7.54

150 Watt H.P.S. 9.10

200 Watt H.P.S. 11.47

250 Watt H.P.S. 12.51

400 Watt H.P.S. 17.22

400 Watt M.H. 18.84

1,000 Watt M.H. 34.03

150 Watt MH Dec 18.33

175 Watt MH Dec 36.30

60 Watt LED 7.52

50 Watt LED 7.46

75 Watt LED 9.08

110 Watt LED 11.81

215 Watt LED 17.01

240 Watt LED 18.71

360 Watt LED 31.62

Pole rental for lights

30 foot pole 5.00

35 foot pole 7.00

40/45 foot pole 8.00

14 foot Dec pole 36.48

Number of customers at year end:

Residential 6,158

Commercial 1,788

Street and athletic fields 43

Individually billed outdoor lighting 35

8,024

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES - GENERAL AND SPECIAL REVENUE FUNDS

Year ended June 30, 2015

	<u>General Government</u>	<u>General Fund</u>
Wages	\$	328,070
Fica and medicare taxes		28,330
Hospital and health insurance		68,705
Retirement - current		53,529
Workman's compensation		179,880
Donations		188,931
Mayor and board of aldermen		39,600
City judge		12,000
Postage and box rent		5,554
Printing		4,058
Publicity and subscriptions		2,448
Memberships and registrations		6,666
Utilities		39,407
Medical (pre-employment)		503
Legal services		65,375
Auditing services		10,500
Other professional services		104,724
Repairs and maintenance		17,137
Travel		3,242
Wellness program		12,479
Equipment rent		3,708
Supplies		21,292
Insurance on buildings		48,077
Insurance on vehicles		49,468
Liability insurance		81,967
Surety bonds		357
Trustee fees		6,347
Barbecue cook-off		4,051
Debt service		218,690
Interest on debt service		65,568
Bank charges		3,674
Capital outlay		6,426
Building rent		22,500
Gas and oil		232
Election		774
	\$	<u><u>1,704,269</u></u>

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES - GENERAL AND SPECIAL REVENUE FUNDS

Year ended June 30, 2015

<u>Police Department</u>		
	<u>General Fund</u>	<u>Drug Fund</u>
Wages	\$ 1,728,470	
Printing and postage	5,583	
Subscriptions to newspapers and periodicals	223	
Memberships, registration fees and tuition	3,219	
Utilities	49,920	\$ 125
Professional services	24,952	
Repairs and maintenance	45,887	
Travel	6,941	
Equipment rental	5,108	
Office supplies	6,536	
Operating supplies	29,017	
Clothing and uniforms	19,848	
Gas, oil, diesel fuel, grease, etc.	78,479	
Motor vehicle parts	20,807	
Tires and tubes	7,722	
Building rent	42,000	
Educational reimbursement	3,441	
Safety supplies	23,626	
Special investigative funds		13,029
Insurance deductibles	4,433	
Fica and medicare taxes	124,647	
Hospital and health insurance	298,636	
Retirement - current	269,349	
Specialized schools	11,919	
Miscellaneous	98	
Finger print	340	
Employee wellness	6,890	
Bank service charges	3,087	
Capital equipment and small equipment	148,428	25,920
	<u>\$ 2,969,606</u>	<u>\$ 39,074</u>
<u>Vehicle Maintenance</u>		
	<u>General Fund</u>	
Wages	\$ 169,125	
Fica and medicare taxes	12,256	
Hospital and health insurance	42,567	
Retirement - current	30,555	
Pre employment physicals	150	
Electric	4,522	
Telephone	391	
Repairs	598	
Supplies	1,619	
Clothing and uniforms	3,035	
Employee wellness	935	
Gas, oil, diesel fuel, grease, etc.	1,649	
Consumable tools	1,400	
Capital equipment and small items	33,476	
Safety supplies	848	
Memberships	18	
Professional fees	31	
Motor vehicle parts	816	
	<u>\$ 303,991</u>	

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES - GENERAL AND SPECIAL REVENUE FUNDS

Year ended June 30, 2015

<u>Fire Department</u>	
	<u>General Fund</u>
Wages	\$ 1,302,717
Fica and medicare taxes	104,805
Hospital and health insurance	224,998
Retirement - current	209,666
Professional services	9,119
Employee wellness	1,194
Capital outlay and small equipment	7,175
Publicity, subscriptions and dues	1,223
Memberships, registration fees and tuition	1,972
Utilities	30,140
Repairs and maintenance - building	13,914
Repairs and maintenance - other	1,977
Travel	197
First responder training and special schools	6,716
Equipment rental	444
Office supplies	821
Operating supplies	15,334
Clothing and uniforms	40,877
Gas, oil, diesel fuel, grease, etc.	11,515
Motor vehicle parts	5,847
Workmans compensation insurance	4,661
Equipment parts	2,276
Tires and tubes	2,835
Safety supplies	4,330
Principal payments	36,798
Interest paid	11,764
	\$ <u>2,053,315</u>
<u>Animal Control</u>	
	<u>General Fund</u>
Wages	\$ 45,379
Fica and medicare taxes	3,108
Hospital and health insurance	10,186
Retirement - current	7,666
Professional services	1,332
Operating supplies	5,343
Clothing and uniforms	313
Memberships and subscriptions	240
Motor vehicle parts	494
Capital outlay and small items	
Repairs and maintenance	75
Travel	244
Gas, oil, diesel fuel, grease, etc.	955
	\$ <u>75,335</u>

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES - GENERAL AND SPECIAL REVENUE FUNDS

Year ended June 30, 2015

<u>Planning and Zoning</u>	
	<u>General Fund</u>
Wages	\$ 135,521
Fica and medicare taxes	10,344
Hospital and health insurance	11,503
Retirement - current	17,321
Postage, box rent, etc.	501
Printing	687
Publications, subscriptions and dues	468
Memberships, registration fees and tuition	3,841
Telephone and telegraph	6,567
Professional services	17,379
Repairs and maintenance	1,552
Uniforms	533
Machinery and equipment rental	7,033
Office supplies	1,756
Operating supplies	1,340
Gas, oil, diesel fuel, grease, etc.	1,173
Travel	42
Motor vehicle parts	893
Mowing	7,875
Advertising	1,674
Building rent	13,360
Small equipment	1,160
	<u>\$ 242,523</u>
<u>Park Theatre</u>	
	<u>General Fund</u>
Wages	\$ 16,608
Fica and medicare taxes	1,053
Hospital and health insurance	2,642
Retirement - current	44
Food	1,969
Advertising	1,184
Dues	382
Utilities	7,308
Professional fees	1,380
Repairs	67,483
Travel	62
Supplies	14,604
Motor vehicle parts	435
Principal payments	89,000
Interest payments	12,720
Chemicals	2,768
Bank charges	3,458
Capital expenditures	51,028
	<u>\$ 274,128</u>

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES - GENERAL AND SPECIAL REVENUE FUNDS

Year ended June 30, 2015

<u>Parks and Recreation</u>		<u>General Fund</u>
Wages	\$	650,913
Fica and medicare taxes		49,824
Hospital and health insurance		86,307
Retirement - current		77,862
Postage, box rent, etc		205
Memberships, registration fees and tuition		3,815
Advertising		6,166
Utilities		166,378
Professional services		8,901
Repairs and maintenance		171,127
Supplies		73,878
Food		54,704
Clothing and uniforms		5,418
League insurance		874
Repair and maintenance supplies		7,075
Gas, oil, diesel fuel, grease, etc.		5,633
Vehicle and equipment parts		3,329
Printing, publicity and subscriptions		77
Insurance deductibles		181
Capital expenditures and small items		289,078
Equipment rent		588
Employee wellness		4,190
Travel		1,155
Principal payments		321,895
Interest payments		26,485
	\$	<u>2,016,058</u>
<u>Urban Forestry</u>		<u>General Fund</u>
Wages	\$	111,661
Fica and medicare taxes		8,308
Hospital and health insurance		22,872
Retirement - current		19,148
Chemicals		1,966
Memberships, registration fees and tuition		300
Vehicle parts and supplies		1,726
Utilities		1,527
Repairs and maintenance		15,747
Operating supplies		3,222
Gas, oil, diesel fuel, grease, etc.		8,200
Clothing and uniforms		956
Professional services		150
Tires and tubes		604
Employee wellness		2,075
Insurance deductibles		1,000
Trees and shrubs		1,895
Publicity and subscriptions		125
Capital expenditures		8,150
	\$	<u>209,632</u>

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES - GENERAL AND SPECIAL REVENUE FUNDS

Year ended June 30, 2015

<u>Street Department</u>		
	<u>General Fund</u>	<u>State Street Aid Fund</u>
Wages	\$ 456,169	\$ 39,369
FICA and medicare taxes	33,673	2,658
Hospital and health insurance	81,455	11,046
Retirement	77,650	7,350
Printing and postage	107	
Publicity and subscriptions	1,156	
Memberships and registrations	998	
Utilities	18,246	
Professional services	3,879	
Street lighting		182,378
Office supplies	784	
Other repairs and maintenance	26,286	13,788
Travel	599	
Equipment rental	2,308	
Tires, tubes, etc	1,696	
Safety supplies	1,887	
Operating supplies	9,793	1,309
Clothing and uniforms	5,604	395
Gas, oil, diesel fuel, grease, etc	53,196	
Motor vehicle parts	9,832	
Sign parts and supplies		3,827
Culverts	3,299	
Chemicals	1,044	4,921
Gravel and stone	17,351	
Employee wellness	1,635	125
Sundry		
Bank service charges	3,698	
Building rent	1,826	236
Capital expenditures and small items	51,197	108,762
Insurance deductibles	138	
Principal payments	161,000	
Interest payments	10,207	
	\$ <u>1,036,713</u>	\$ <u>376,164</u>

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES - GENERAL AND SPECIAL REVENUE FUNDS

Year ended June 30, 2015

	<u>Solid Waste Collection</u>	<u>Sanitation</u>
Wages	\$	357,535
FICA and medicare taxes		25,982
Hospital and health insurance		71,453
Retirement - current		61,243
Workmen's compensation		17,744
Printing and postage		7,013
Employee wellness		830
Memberships, registrations and tuition		6,058
Utilities		3,695
Professional services		203
Landfill expenses and maintenance		1,978
Repairs and maintenance		20,875
Travel		273
Solid waste disposal		449,895
Gravel and stone		1,457
Clothing and uniforms		3,173
Gas, oil, diesel fuel, grease, etc.		56,647
Motor vehicle and equipment parts		62,673
Office rental		948
Operating supplies		11,946
Insurance		15,211
	\$	<u><u>1,176,832</u></u>

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF OPERATING EXPENSES - ENTERPRISE FUNDS
McMINNVILLE WATER AND SEWER SYSTEM

Year ended June 30, 2015

	Water Purification & Distribution	Wastewater Collection & Treatment
Wages	\$ 568,326	\$ 763,613
FICA and medicare taxes	42,889	56,135
Hospital and health insurance	84,012	128,339
Retirement - current	39,003	49,572
Workmen's compensation	21,654	21,653
Postage, printing and other communications	13,723	13,198
Utilities	160,277	208,984
Professional services	20,641	19,388
Repairs	78,424	41,140
Lab analysis	7,651	16,901
Bank service charges	7,100	
Office supplies	6,431	721
Chemical and laboratory supplies	97,127	94,659
Household and janitorial supplies	742	428
Clothing and uniforms	12,764	3,944
Operating expenses	64,982	24,327
Gas, oil, diesel fuel, grease, etc	20,643	14,739
Parts and supplies	25,000	24,330
Fire hydrants	3,243	
Repair parts for lines	59,073	60,523
Memberships, subscriptions, and registrations	7,087	10,178
Materials	27,474	41,064
Insurance on buildings	30,428	30,428
Insurance on vehicles and equipment	3,341	3,341
Liability insurance	2,646	2,646
Travel	84	792
Equipment rent	155	492
Employee wellness	2,875	3,765
Office building rent	1,739	1,739
Miscellaneous	1,335	5,316
	\$ <u>1,410,869</u>	\$ <u>1,642,355</u>

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF OPERATING EXPENSES - ENTERPRISE FUNDS
McMINNVILLE ELECTRIC SYSTEM

Year ended June 30, 2015

Purchased power		\$	16,575,574
Distribution expense:			
Supervision and engineering	\$	310,967	
Station		107,079	
Generation		82,351	
Overhead and underground line		85,259	
Rents		6,684	
Meter		187,814	
Customer installation		22,072	
Security light		6,803	
Loss on disallowance of plant		359,483	
Miscellaneous		9,552	1,178,064
Customer accounts expense:			
Supervision		116,857	
Meter reading		9,120	
Customer records and collection		270,563	396,540
Customer service information:			
Customer assistance expense			77,783
Sales expense:			
Demonstrating and selling expense		66,768	
Advertising		7,155	73,923
Administrative and general expenses:			
Administration and general salaries		285,395	
Office supplies and expense		75,216	
Outside services employed		64,730	
Property insurance		29,573	
Injuries and damages		98,380	
Employee pensions and benefits		613,310	
Advertising		12,420	
Employee uniforms		15,476	
Miscellaneous		50,611	1,245,111
Maintenance expenses:			
Supervision and engineering		85,697	
Maintenance of station equipment		98,680	
Maintenance of overhead lines		293,495	
Maintenance of underground lines		5,578	
Maintenance of line transformers		15,413	
Maintenance of street lighting and signal systems		4,646	
Maintenance of meters		11,823	
Maintenance of security lights		3,387	
Maintenance of general plant		46,961	565,680
Depreciation (excluding amount of \$54,421 charged to other accounts)			1,111,905
Amortization - acquisition adjustments			44,756
Taxes and tax equivalents paid to other than primary government			254,196
Interest expense on customer deposits			1,435
Donations and community welfare			7,276
			<u>\$ 21,532,243</u>

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF SANITATION REVENUES AND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2015

<hr/>		
Revenues:		
Refuse collection charge		\$ 1,224,353
Interest		649
Miscellaneous		9,353
		<hr/> 1,234,355
Expenditures		
Wages	357,535	
FICA and medicare taxes	25,982	
Hospital and health insurance	71,453	
Retirement - current	61,243	
Workmen's compensation	17,744	
Printing and postage	7,013	
Employee wellness	830	
Memberships, registrations and tuition	6,058	
Utilities	3,695	
Professional services	203	
Landfill expenses and maintenance	1,978	
Repairs and maintenance	20,875	
Travel	273	
Solid waste disposal	449,895	
Insurance	1,457	
Clothing and uniforms	3,173	
Gas, oil, diesel fuel, grease, etc.	56,647	
Motor vehicle and equipment parts	62,673	
Office rental	948	
Operating supplies	11,946	
Insurance	15,211	1,176,832
		<hr/>
Excess (Deficiency) of revenues over expenditures		<u>\$ 57,523</u>

CITY OF McMINNVILLE, TENNESSEE

SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2015

Financial Statement Findings

Finding Number
no prior year findings

Finding Title

Status



AWWA Free Water Audit Software

Reporting Worksheet

AWWA 5.0

- Click to access definition
 Click to add a comment

Water Audit Report for: **City of McMinnville (0000423)**Reporting Year: **2014** **7/2014 - 6/2015**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Enter grading in column 'E' and 'J' →

Volume from own sources:		9	636.111	MG/Yr		9	-0.50%		9	MG/Yr
Water imported:		7	0.000	MG/Yr		7			7	MG/Yr
Water exported:		7	0.000	MG/Yr		7			7	MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: 9 -0.50% 9 Value: 9 MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: **639.308** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:		9	390.257	MG/Yr
Billed unmetered:		9	0.000	MG/Yr
Unbilled metered:		9	0.000	MG/Yr
Unbilled unmetered:		9	7.991	MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: **398.248** MG/Yr

Click here: for help using option buttons below

Pcnt: 9 1.25% 9 Value: 9 MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

Apparent Losses

Unauthorized consumption: 9 | 1.598 | MG/Yr |

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:		8	10.007	MG/Yr
Systematic data handling errors:		9	0.976	MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: **12.581** MG/Yr

Pcnt: 9 0.25% 9 Value: 9 MG/Yr

2.50% 9 0.25% 9 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **228.479** MG/YrWATER LOSSES: **241.059** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **249.051** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:		9	135.9	miles
Number of active AND inactive service connections:		9	6,228	
Service connection density:		9	46	conn./mile main

Are customer meters typically located at the curbside or property line? **Yes**

(length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied.

Average operating pressure: 10 | 60.0 | psi |

COST DATA

Total annual cost of operating water system:		10	\$1,826,137	\$/Year
Customer retail unit cost (applied to Apparent Losses):		10	\$5.16	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):		10	\$359.76	\$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 87 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Unauthorized consumption

3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association
Copyright © 2004 - All Rights ReservedWater Audit Report for: **City of McMinnville (0000423)**Reporting Year: **2014** **7/2014 - 6/2015**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 87 out of 100 ***

System Attributes:

Apparent Losses:	12.581	MG/Yr
+ Real Losses:	228.479	MG/Yr
= Water Losses:	241.059	MG/Yr

2 Unavoidable Annual Real Losses (UARL): 36.56 MG/Yr

Annual cost of Apparent Losses: \$64,915

Annual cost of Real Losses: \$82,198

Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied:

39.0%

Non-revenue water as percent by cost of operating system:

8.2%

Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day:

5.53 gallons/connection/day

Real Losses per service connection per day:

100.51 gallons/connection/day

Real Losses per length of main per day*:

N/A

Real Losses per service connection per day per psi pressure:

1.68 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):

228.48 million gallons/year

9 Infrastructure Leakage Index (ILI) [CARL/UARL]:

6.25

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and Board of Aldermen
City of McMinnville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the governmental activities, the business-type activities, each major fund, and the statements of budgetary comparison of the General Fund, the State Street Aid Fund, the Solid Waste Collection and Disposal Fund, and the Drug Fund of City of McMinnville, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of McMinnville, Tennessee's basic financial statements, and have issued our report thereon dated March 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of McMinnville, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of McMinnville, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of McMinnville, Tennessee's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

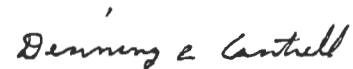
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of McMinnville, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

McMinnville, Tennessee
March 19, 2016